

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

# OF THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS

A Component Unit of the City of Newport News, Virginia



Fiscal Year Ended June 30, 2023

(With Report of Independent Auditor)

College, Career and Citizen-Ready!

### ANNUAL COMPREHENSIVE FINANCIAL REPORT A COMPONENT UNIT OF THE CITY OF NEWPORT NEWS, VIRGINIA

Fiscal Year ended June 30, 2023

Prepared by:

**BUSINESS OFFICE** 

Dr. Michele Mitchell, Ed. D. Superintendent Scarlett Minto, MBA, Chief Financial Officer Kimberly Powell, MPA, Acting Director of Accounting and Finance Jennifer Loftin, MBA, Acting Accounting Supervisor

> 12465 Warwick Boulevard Newport News, VA 23606

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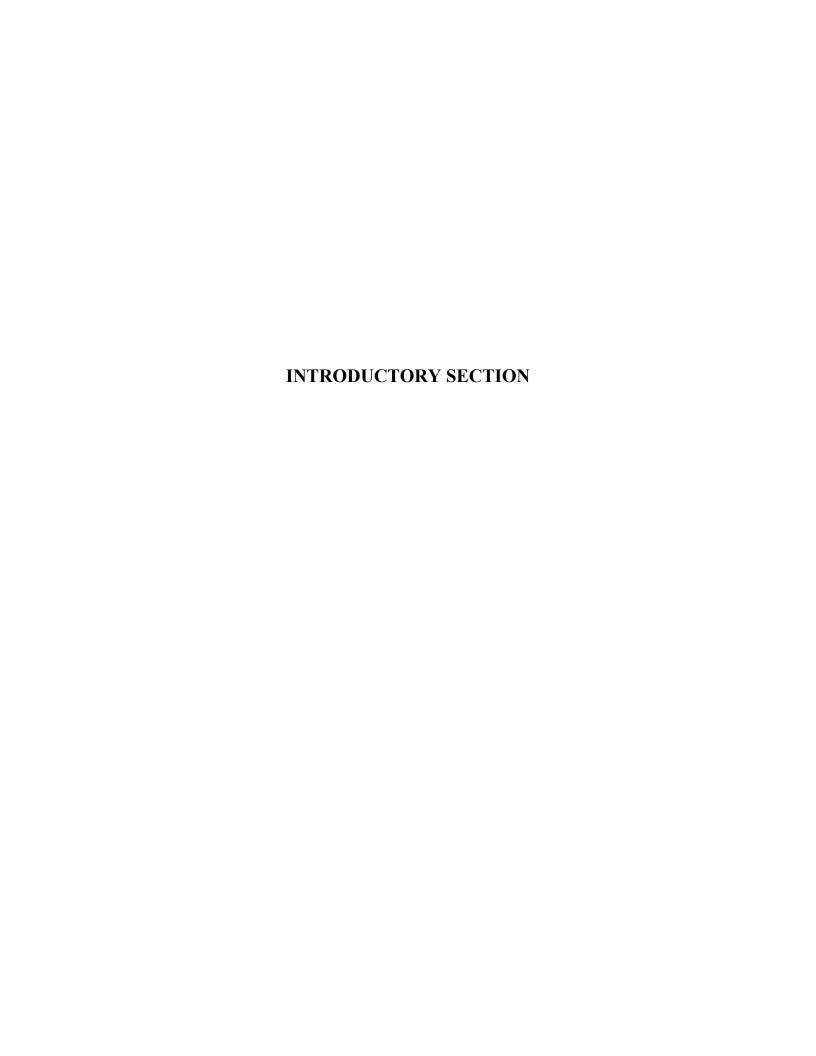
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Members of the School Board and School Board Officials

#### **School Board**

Lisa R. Surles-Law
Dr. Terri L. Best
Vice-Chairman
Maritsa Alger
Rebecca Aman
Douglas C. Brown
Marvin L. Harris
Gary B. Hunter

Chairman
Vice-Chairman
Member
Member
Member
Member
Member
Member

#### **School Board Officials**

Dr. Michele Mitchell Superintendent Rashard J. Wright Chief of Staff Dr. Kipp Rogers Chief Academic Officer Rusty Fairheart, MBA **Chief Operations Officer** Chief Financial Officer Scarlett Minto Cathy Alexander Executive Director – Nutrition and Wellness Dr. Felicia Barnett Executive Director – Secondary School Leadership Wade Beverly Executive Director – Plant Services **Shay Coates** Executive Director – Transportation Dr. Joanne Jones Executive Director – Curriculum & Development Wayne Santos, II Executive Director – Technology Robert Stewart, Jr. Executive Director - Crisis Planning, Prevention & Environmental Risk Management



### **Executive Leadership Team**

#### **DIVISION LEADERSHIP**

Michele Mitchell, Ed.D. Superintendent Rashard Wright Chief of Staff

Rusty Fairheart, MBA Chief Operations Officer Scarlett Minto, MBA Chief Financial Officer Kipp Rogers, Ph.D. Chief Academic Officer

#### **EXECUTIVE DIRECTORS**

Cathy Alexander Executive Director Nutrition & Wellness

Shay Coates Executive Director Transportation

TBD Executive Director Student Advancement Felicia Barnett, Ed.D. Executive Director Secondary School Leadership

TBD Executive Director Elementary School Leadership

> Wayne Santos, II Executive Director Technology

Wade Beverly Executive Director Plant Services

Joanne Jones, Ed.D. Executive Director Curriculum & Development

Robert Stewart, Jr. Executive Director Crisis Planning, Prevention and Environmental Risk Management

#### DIRECTORS

Shannon Bailey Director Procurement Caron Blizzard, Ph.D. Director School Counseling Eleanor Blowe, Ed.D. Director Secondary School Leadership

Tracy Brooks Special Assistant to the Superintendent

Nina Farrish Director Human Resources Crystal Haskins, Ph.D. Director Equity, Assessment & Strategic Operations Kathryn Hermann, Ph.D. Director Outreach Services Lee Martin Director Student Athletics

Carl Murray, Jr. Director School Safety LaQuiche Parrott, Ed.D. Director Elementary School Leadership Michelle Price Director Public Information & Community Involvement Angela Rhett, Ph.D. Director Employee Development

Vivian Vitullo Director Special Education Lori Wall Director Elementary Curriculum Len Wallin Director Legal Services Diane Willis Director Elementary School Leadership

As oF August 2023



#### **Business Office**

12465 Warwick Boulevard, Newport News, VA 23606-3041 • phone: 757-591-4511 • FAX: 757-595-2461

The Honorable Members of the School Board and Citizens of Newport News Public Schools District:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the School Board of Newport News, Virginia (the School Board, Newport News Public Schools or NNPS), for the fiscal year ending June 30, 2023. The School Board is responsible for the accuracy, completeness and fairness of the data presented. We believe that the data presented is accurate in all material respects and presents fairly the financial position and results of operations of the School Board's various funds.

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the School Board are protected from loss, theft or misuse; and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

An annual audit of the books of accounts, financial records and transactions of the School Board has been performed by Cherry Bekaert LLP, independent certified public accountants. The auditor's report, which includes their unmodified opinion on the basic financial statements of the School Board, is contained in this report.

#### **Overview of the Report**

We have divided the Annual Comprehensive Financial Report into four sections:

#### **Introductory Section:**

The Introductory Section includes the Transmittal Letter, reproductions of the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) financial reporting certificate awards. The introductory section also provides helpful information on the School Board's structure, the School Board Members and division Organizational Chart.

#### **Financial Section:**

The Financial Section is prepared in accordance with Governmental Accounting Standards Board (GASB) requirements and includes the Independent Auditors' Report, Management's Discussion and Analysis (MD&A), Basic Financial Statements, notes to the Basic Financial Statements, government-wide financial statements, governmental funds' financial statements, note disclosures, required supplementary information and supplementary information.

#### **Statistical Section:**

The Statistical Section is a compilation of tables that show multi-year financial, demographic, economic and operating information.

#### **Compliance Section:**

The Compliance Section demonstrates our compliance with the requirements associated with Federal grants.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This Transmittal Letter is designed to complement MD&A and should be read in conjunction with it. The School Board's MD&A is presented in the Financial Section immediately following the Independent Auditors' Report.

The School Board of the City of Newport News is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and in accordance with the provisions outlined in subpart F of 2 CFR § 200.501. In consultation with our auditors the completion and submission of the Single Audit reporting package will be delayed until January 2024 and a separate compliance report will be issued subsequent to the OMB Compliance Supplement Addendum issuance.

The report covers financial transactions of all services provided by the School Board.

#### **School Board Profile**

The School Board was established in 1898 to provide educational opportunities to the residents of the City of Newport News, Virginia (the City or Newport News). The School Board is the elected body operating under the Constitution of Virginia and the *Code of Virginia*. The seven members of the School Board are elected by the citizens of the City to serve four-year terms, with one member elected at large. The School Board establishes educational policy for the operation of the school division and implementation of Board policy is carried out under the direction of the Superintendent.

The School Board provides a full range of public educational services to approximately 26,500 students from grades pre-kindergarten through the 12<sup>th</sup> grade. It employs approximately 4,200 teachers, administrators and support staff.

The School Board receives funding from taxes collected and allocated by the City and state in addition to federal aid. School construction projects are funded by general obligation bonds, operating cash transfers and State Literary Loans approved by the Newport News City Council (the Council). The School Board itself has no power to levy and collect taxes, or to increase the budget. The Council annually appropriates funds to the School Board for educational expenditures, levies taxes and issues debt on behalf of the School Board. The legal liability for general obligation debt remains with the City. Because of the relationship with the City, the School Board is considered a component unit of the city government as defined by GAAP for governmental entities.

The School Board provides educational services in 41 separate school facilities plus alternative services at six additional sites. The School Board's buildings range in age from six years old to 104 years old, with the average age of all schools being 55 years old. Only a few schools have received extensive renovations throughout their life.

The basic financial statements and supplementary data in this report include all funds administered by the School Board in conjunction with its mission of providing elementary and secondary public education.

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#### **Factors Affecting Financial Condition**

**Local Economy.** The School Board's boundaries are co-terminus with the City. Newport News is a vibrant city at the mid-point of the Atlantic Coast and at the center of the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area, the 37th largest market in the United States and the largest metro between Washington and Atlanta, with a population estimate of 1.8 million.

Newport News is located on the Virginia Peninsula, surrounded by the James River to the south, the York River to the north, and the Chesapeake Bay to the east. The diversity of available resources and quality of life for those who live here are further enhanced by its close proximity to 17 other cities and counties. In total, these entities blend synergistically into Virginia's Hampton Roads region, with Newport News being a vital contributor to the desirable lifestyle, high energy and economic strength of this vibrant area.

Newport News is home to a stable, strong and diverse economy with a favorable labor climate and a highly productive work force. Newport News has an economic foundation which was historically based largely on livelihoods benefitting from the constant presence of water—shipbuilding, fishing and naval and commercial transport networks. Over the past 40 years, the City has evolved into a community now defined by science and technology industries balanced between commercial and military applications, research facilities, higher education, manufacturing, distribution and healthcare.

**Budgetary Controls.** The School Board maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Activities of the General Fund are included in the annual appropriated budget approved by City Council.

The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. In addition, certain controls are exercised administratively on the General Fund, such as the number of full-time equivalent (FTE) authorized positions and expenditure budgets by departments and individual line items. The School Board also maintains an encumbrance accounting system. Budgets are adopted on a basis consistent with GAAP, except that encumbrances are included as budgetary expenditures and that net revenues and expenditures for the medical self-insurance program are excluded from the budget comparison. Annual legal operating budgets are adopted for the Workers' Compensation Fund and Textbook Special Revenue Fund and are therefore included in the budget and actual comparisons. Program budgets for other special revenue funds are administratively approved on a basis consistent with the related grant applications. Project and program budgets are utilized in the Capital Projects Funds and certain Special Revenue Funds where appropriations remain open and carry over to succeeding years.

*Financial Highlights.* The School Board continues to be in sound financial condition as demonstrated by the financial statements and schedules included in this report. The School Board has operated within the resources available while achieving many of its program goals.

The School Board is expected to continue to experience moderate growth in State and local funding in the near future as support for Education in the City of Newport News and the state of Virginia grows. The FY2023 General Fund budget projections include a continued decrease in student enrollment. Decreasing enrollment impacts the operating budget State revenue. (based on student enrollment). Changes in enrollment fluctuate during the school year and may translate into a loss in State revenue. Payments to school divisions for FY2024 will be updated and finalized based on March 31, 2024, ADM and other final program participation information. For FY2024, the State Revenue increased \$20.4 million and the City contribution increased by \$3.4 million over FY2023. The Federal government provided an allocation of \$44.9 million in CARES Act funding in FY2022 and that spending was completed in FY2024.

Additionally, \$82 million was allocated through the Elementary and Secondary School Emergency Relief III Fund under the American Rescue Plan Act in FY2022 and that spending must be completed by September 2024. The forecast for FY2024 continues to be unclear, but modest revenue growth outside of ARPA funding is possible as

the economic recovery continues. See the Management's Discussion and Analysis beginning on page 4 of the financial section of this report for an in-depth financial analysis.

Stewardship of Resources. The School Board adopted Journey 2025, a strategic plan to ensure all students graduate college, career and citizen-ready. Toward this end, the School Board affirmed five strategic supports that are necessary to achieve student success. The five components are Student Success, Student & Staff Wellness, Employee Expertise, Enhanced Partnerships and Stewardship of Resources. School divisions that have wise stewardship of resources evolve their planning process as needed to address new issues, keep up with best practices, and anticipate the changing needs of the organization created by economic conditions, community expectations, and state and federal regulations. The School Board will make financial and human capital decisions with a focus on student and staff needs, organizational data, and equitable practices.

**Risk Management.** The School Board's risk management program is designed to protect the investment of taxpayers by identifying and reducing risks that confront the School Board. Risk is managed with a combination of commercial insurance with small deductibles and self-insurance combined with reinsurance for large claims. Commercial insurance with small deductibles is maintained for general liability, property, errors and omissions. The School Board participates with the City in a self-insurance program for vehicles (with reinsurance for claims over \$1 million). Self-insurance is maintained for employee health insurance (with reinsurance for individual claims over \$250 thousand) and Workers' Compensation (reinsurance contracted for claims over \$1 million.)

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#### 2022-2023 Accomplishments, Recognitions and Awards

#### MORE NNPS STUDENTS ARE EARNING DIPLOMAS

NNPS' on-time graduation rate remained high at 94.3% for the Class of 2023. The school division's on-time graduation rate has increased significantly from 72.9% in 2008. During the same period, the dropout rate decreased from 12% to 1% in 2023 according to data posted by the Virginia Department of Education. NNPS' on-time



graduation rate is higher than the state average of 91.9% and the NNPS dropout rate is lower than the state average of 5%. The school division's overall student completion rate, which includes students who have earned a diploma or a GED in four years, is 96%.

The Class of 2023 was accepted into 120 colleges, universities and military academies and earned more than \$63.2 million in scholarships and academic awards.

#### NNPS HAS TALENTED, AWARD-WINNING EMPLOYEES

Seven NNPS Career and Technical Education teachers were named W!SE Gold Star Teachers for their students' successful performance on the W!SE Financial Literacy Certification Test:

Hope London from Denbigh High School; Stephanie Gwaltney from Menchville High School; Sheree Ficklin, Kimberly Grant and Reginald Neely from Warwick High School; and Towanda Alister and Tina Shorter from Woodside High School. To earn the Gold Star Award, a teacher must have at least a 93% passing rate on the W!SE Financial Literacy Certification Test in at least one class during the school year.





Chanda Woods, an integrated language arts teacher at Crittenden Middle School, was named Divisionwide and Middle School Teacher of the Year. Charron Bournes, a preschool teacher at General Stanford, was named Elementary School Teacher of the Year, and Michael Sage, a world history teacher at Denbigh High School, was named the High School Teacher of the Year.

NNPS Director of Athletics Lee Martin was named the 2023 Class 5/6 Athletic Administrator of the Year by the Virginia Interscholastic Athletic Administrators Association for expanding middle school sports and advancing the athletic program.

Woodside High School Head Boys Basketball Coach Stefan Welsh was named the Virginia High School League Class 5 Boys Basketball Coach of the Year following the team's state championship.

Ray Price, Telecommunications Supervisor, was inducted into the 2023 High School Hall of Fame by the Virginia High School League. Price was recognized for his "unyielding commitment to the promotion, broadcast and streaming of high school athletics."

#### **ACCOMPLISHMENTS & AWARDS**

Discovery STEM Academy and Greenwood Elementary School earned 2022-2023 Virginia Board of Education Exemplar Awards for Continuous Improvement. The Board of Education Exemplar School Recognition Program recognizes schools that exceed board-established requirements or show continuous improvement on academic and school quality indicators.



The school division earned an **Association of School Business Officials International Meritorious Budget Award For Excellence** in budget presentation for the Fiscal Year 2023 budget document. The award marks the 13<sup>th</sup> consecutive year that NNPS earned the prestigious award.



Newport News Public Schools was named a system of Top Schools in Virginia Living magazine's 2023 list of notable institutions. Virginia Living published the list of Top Schools in its March/April 2022 issue. The list highlights a selection of approximately 200 outstanding Virginia public and private institutions from preschool to graduate level that boast exemplary programs and achievements.

Woodside High School was listed among the 100 Best W!SE High Schools Teaching Personal Finance in 2023. The national ranking recognizes excellence in personal finance instruction.

The "100 Best" schools participate in W!SE's Financial Literacy Certification program.

Katherine G. Johnson Elementary School was named a Purple Star School. The Virginia Department of Education awards this designation to schools that meet its high standards for service to military-connected students and their families.



Newport News Public Schools was awarded a Gun Violence Intervention Program Community-Based Grant of nearly \$93,000 to support two mentoring programs coordinated by the Youth Development Department:

My Brother's Keeper and My Sister's Keeper. The grant is presented by the City of Newport News, in conjunction with funding from the Virginia Department of Criminal Justice Services and the Attorney General's Office.

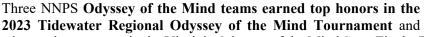
#### NNPS STUDENTS EARN NATIONAL AND STATE AWARDS

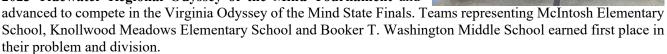


Jamie Ashby, an eighth-grade student at Booker T. Washington Middle School, earned first place in Congressman Bobby Scott's Third Congressional District App Challenge. Jamie designed an app named Skin in the Game, which allows users to identify bug bites and skin conditions with machine learning. Users take a picture inside the app, and the image is run through a machine learning model that predicts what the bug bite or skin condition could be so users will know how to properly treat the bite or condition.

The Triple Helix robotics team, based at Menchville High School, successfully defended their title as Champions of the FIRST Robotics

Competition Chesapeake District (VA/MD/DC) advanced to compete at the World Championship in Houston. The judging panel at the District Championship also recognized Triple Helix with the Innovation in Control Award, which celebrates innovative control techniques to achieve gameplay functions.







Six high school student musicians earned the All-Virginia distinction. Heritage High students Savion Frazier and Celeste Kelly, Warwick High student Casey York, and Woodside High students Daria Garnett and Emma Thomas were named to the All-Virginia Chorus. Liam Barnstead, from Woodside High School, was named to the All-Virginia Symphonic Band. Selection to an All-Virginia ensemble represents the highest honor that the Virginia Music Educators Association can bestow upon a student musician.

#### The Menchville High School Band earned designation as an Honor Band

by the Virginia Band and Orchestra Directors Association. Bands achieving superior ratings at the state marching band festival and at a district concert festival are recognized as an Honor Band, the highest award that can be bestowed upon bands by the association.

Heritage High School's music department earned a Virginia Music Educators Association 2023 Blue Ribbon Award. The award is the highest honor given to school music programs and recognizes achieved excellence in the school's band and choral performances. To earn the Blue Ribbon Award, all music disciplines in a school must receive a rating of "superior" during the state assessment.





The Woodside High
School Boys Basketball Team captured the 2023 Virginia High School
League Class 5 State Championship, finishing the season with a 23-5
record. The Wolverines won the first state title in boys basketball in almost
two decades. Senior Point Guard Trevor Smith was named the VHSL
Class 5 Player of the Year.

During the Virginia High School League State Indoor Track Championships, four members of the Heritage High girls track team

**captured state titles**. Madison Whyte earned three state titles: the 55-meter dash, the 300 meter dash, and she captured the 4x400 meter relay title with teammates Myzhané Solomon, Sanaa Wooden and Sabria Wooden. Senior Myzhané Solomon also captured the state title in the 55-meter hurdles.

At the Virginia High School League State Outdoor Track Championships, the Heritage High girls track team captured the state title. Madison Whyte earned three individual state titles in the 100 meter, 200 meter and 400 meter dash. Myzhané Solomon captured the state championship in the 100 meter hurdles event and took first place in the 4x400 meter relay event with teammates Sanaa Wooden, Sabria Wooden and Tyla Clarke. Jaleia Beasley, Ahnasti Brown, Tyla Clarke and Nicole Lee-Simmons participated in the 4x100 meter relay team.

Jeremiah Palacious, a junior at Woodside High School, earned the class 5 state title in the long jump during the State Indoor Track Championships.

During the Virginia High School League State Swim and Dive Championships, Menchville High Senior Ian Rodgers earned the class 5 state title in the 100-yard butterfly.

After the Virginia High School League voted to sanction girls wrestling as an emerging sport, Kassey Daugherty, a junior at Menchville High School won the state title in her weight class.





Three NNPS students earned top honors in State Senator Monty Mason's art contest and had their artwork displayed outside of his office during the 2023 General Assembly session. Dutrow Elementary third-grader Gracie Preuett won the K-3 division, Chiara Leone, a fifth-grade student at Riverside Elementary won the 4th-5th grade division, and Woodside High School senior JaBrea Copeland won the secondary level.

Menchville Senior Atiana Williams was named a finalist in the Virginia Sports Hall of Fame's 18th Annual Student Athlete Achievement Awards program. Atiana was involved in the National Honor Society, and served as Senior Class President and a member of the Spanish Honor Society while maintaining a grade point average of 4.5, all while being a Captain of the Monarchs' Girls Varsity Basketball team.





During the Elementary STAR Awards ceremony, which celebrates student leadership and volunteerism, 240 students representing each elementary school, were recognized for having a positive impact in their schools and communities. At the Secondary STAR Awards, 118 middle and high school students representing 40 clubs and organizations, were recognized.

In addition, The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the School Board of the City of Newport News for its Comprehensive Annual Financial Report for the year ended June 30, 2022. This is the 21st consecutive year the School Board has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year.

#### ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the dedicated service of the staff of the Department of Accounting & Finance. We would like to express our appreciation to all members of the Finance Department, particularly the Accounting and Budget staff who contributed to the completion of this report. We also gratefully acknowledge the members of the School Board for their leadership and guidance in establishing sound and progressive financial management policies which is vital to the financial health of the school division and demonstration of the commitment to financial accountability, stewardship, and transparency.

Sincerely,

Scarlett Minto

Chief Financial Officer, Newport News Public Schools



#### Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

### The School Board of the City of Newport News Virginia

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



### The Certificate of Excellence in Financial Reporting is presented to

### **Newport News Public Schools**

for its Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022.

The district report meets the criteria established for ASBO International's Certificate of Excellence in Financial Reporting.



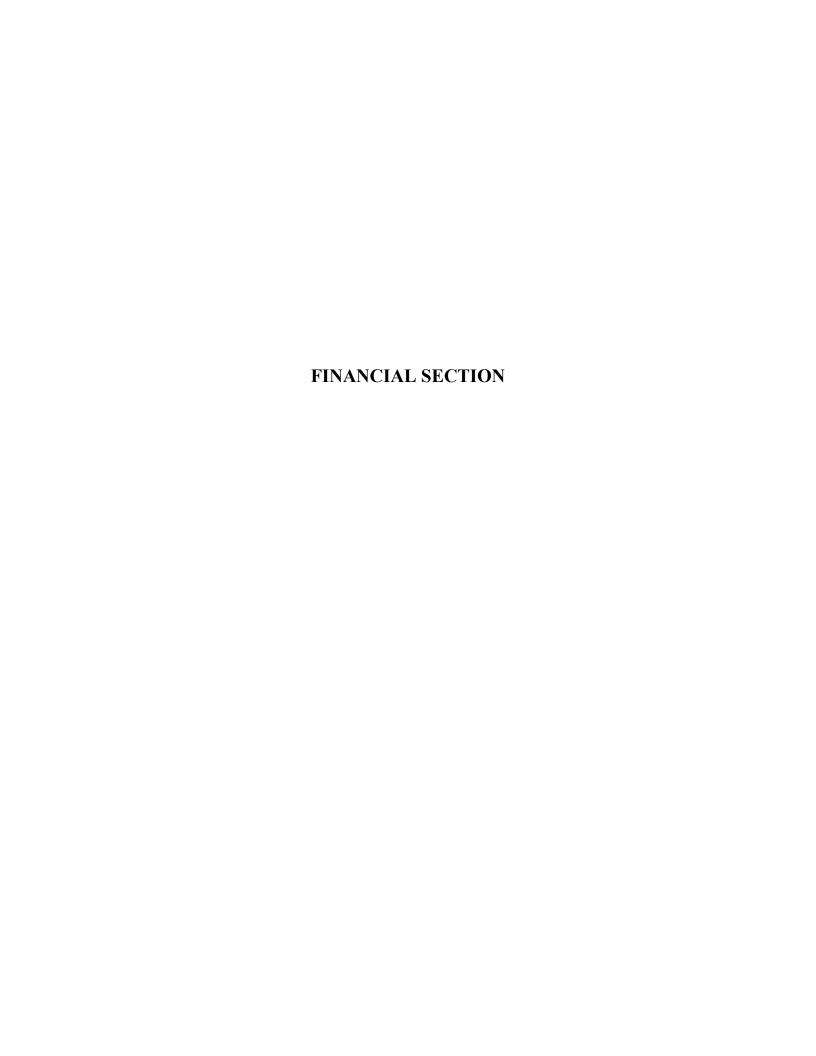
John W. Hutchison

for w. Splehovi

President

Siobhán McMahon, CAE Chief Operations Officer/ Interim Executive Director

Sirkha MMhu





#### **Report of Independent Auditor**

To the Honorable Members School Board of the City of Newport News, Virginia

#### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the School Activity Funds, a special revenue fund of the School Board, which represents 2.1%, 2.1%, and 5.8%, respectively, of the total assets, fund balance, and revenues of the aggregate remaining fund information as of June 30, 2023. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School Activity Funds, is based solely on the report of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. The financial statements of the School Activity Fund were not audited in accordance with the Specifications. Our responsibilities under those standards and the Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information other than management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Board's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2023, on our consideration of the School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School Board's internal control over financial reporting and compliance.

Tysons Corner, Virginia December 8, 2023

Cherry Bekaert LLP

Management's Discussion and Analysis (Unaudited)
June 30, 2023

The following discussion and analysis of the School Board of the City of Newport News, Virginia's (the School Board) financial performance provides an overview of the School Board's financial activities as of and for the fiscal year ended June 30, 2023. The analysis focuses on the School Board's financial performance as a whole. Please read it in conjunction with the transmittal letter at the front of this report and the School Board's financial statements, which follow this section.

#### Financial Highlights for Fiscal Year (FY) 2023

The School Board, on a government-wide basis, had an increase in Net Position of \$60.6 million. The increase during FY2023 resulted in Net Position going from negative \$154.2 million to negative \$93.6 million. Over the last eight years the Net Position has increased \$171.4 million. Additionally, during the past eight fiscal years, net investment in capital assets accounted for \$96.9 million (56.6%) of this increase. It should be noted that during the past nine years the School Board coordinated with the City of Newport News to return various school buildings and related building renovations and improvements under the provisions of Assets Held Tenancy in Common as explained more fully in the paragraph below.

During FY2023, net investment in capital assets increased by \$21.6 million to \$170.8 million primarily due to receiving back from the City of Newport News, Virginia (the City) the \$12.9 million in book value (cost less accumulated depreciation) for various school buildings and related improvements. Under the provisions of *Code of Virginia* 15.2-1800 (Assets Held Tenancy in Common) (AHTIC), the City recorded these buildings on their books as an asset until the general obligation bonds used to finance the construction of the school were repaid (the School Board is not permitted to issue General Obligation Bonds). Restricted Net Position increased by \$11.4 million primarily due to an increase in funds restricted for Capital Projects. The Capital Projects related to the increase are being funded by the state School Construction Grants Program for school infrastructure improvements and renovations. The restricted balance from all sources is now \$7.6 million. Unrestricted Net Position increased by \$27.6 million and is now at negative \$301.1 million. Unrestricted Net Position includes \$7.7 million in funds for which the School Board is seeking an appropriation authorization from City Council to spend on various capital projects. If the School Board does not get City Council approval, the funds will have to be returned to the Commonwealth.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School Board's basic financial statements.

This Annual Comprehensive Financial Report consists of four sections: introductory, financial, statistical, and compliance. The financial section has four components – management's discussion and analysis (this section), the basic financial statements (including the notes to financial statements), required supplementary information, and supplementary information.

The School Board's financial statements consist of two kinds of statements that present different views of the School Board's financial activities.

- The Statement of Net Position and Statement of Activities provide information on a government-wide basis. These statements present an aggregate view of the School Board's finances providing both long-term and short-term information about the School Board's overall financial status.
- The fund financial statements focus on the individual parts of the School Board, reporting School Board operations with more information and detail than the government-wide statements.

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (e.g., year-to-year or government to government), and enhance the School Board's accountability. The notes to financial statements explain some of the information in the statements and provide additional disclosures so that statement users have a complete picture of the School Board's financial activities and position. The required supplementary information further explains and supports the financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements report information about the School Board as a whole using accounting methods similar to those used by private-sector companies. An important question one could ask about the School Board's finances is, "Is the School Board, as a whole, better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the School Board as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid.

The School Board's Net Position, which is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, is one way to measure the School Board's financial health. Over time, increases or decreases in the School Board's Net Position are indicators of whether or not its financial position is improving. Other factors will also need to be considered, such as the overall economy of the Commonwealth of Virginia and the City, from which most of the School Board's resources are derived.

#### Fund Financial Statements

Traditional users of government financial statements will find the fund financial presentation more familiar. The focus is on the School Board's most significant fund, the General Fund. The Grant Fund and the General Obligation Bond Fund are also considered major funds. All of the School Board's other funds are considered non-major funds and are summarized into one total, but the details of each fund are also shown in the Supplementary Information section.

Governmental funds use the modified accrual basis of accounting and the current financial resources measurement focus. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenues and deferred flows of resources and in the presentation of expenses versus expenditures. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

#### Financial Analysis of the School Board as a Whole

The School Board presents its financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board.

Management's Discussion and Analysis (Unaudited)

June 30, 2023

The following table reflects the condensed Net Position of the School Board.

**Table 1 Net Position**(In millions)

	FY 2023	FY 2022	Change		
Current and other assets	\$ 123.3	\$ 124.4	\$ (1.1)		
Capital assets, net	187.5	166.8	20.7		
Total assets	310.8	291.2	19.6		
Deferred outflows of resources	77.4	72.6	4.8		
Other liabilities	46.7	45.3	1.4		
Long-term liabilities	378.3	316.6	61.7		
Total liabilities	425.0	361.9	63.1		
Deferred inflows of resources	56.8	156.2	(99.4)		
Net Position:					
Net investment in capital assets	170.8	149.2	21.6		
Restricted	36.7	25.3	11.4		
Unrestricted	(301.1)	(328.7)	27.6		
Total Net Position	\$ (93.6)	\$ (154.2)	\$ 60.6		

The School Board's total Net Position shows an increase of \$60.6 million increasing from a negative \$154.2 million to a negative \$93.6 million. The primary drivers of this change include increases in Net Investment in Capital Assets - and decreases related to Deferred Inflows of pension and OPEB liabilities.

Current and other assets decreased by \$1.1 million (0.9%). This is primarily due to a decrease in the amount of funds due and receivable from the City of Newport News for on-going Capital Projects.

Capital assets increased by \$20.7 million (12.4%). This increase was due to the City transferring various school building related improvements and renovations back to the School Board under the provisions of AHTIC, since the bonded debt had been repaid, which added \$12.9 million net of depreciation. Additionally, building improvements and renovations incurred by the state School Construction Grant and the Operating budget added \$7.8 million to the net value of capital assets.

Deferred outflows of resources increased by \$4.8 million (6.6%) due to adjustments associated with actuarial calculations related to changes in experience data of the Virginia Retirement System (VRS) and the Newport News Employee Retirement Fund (NNERF) pension and Other Post Employment Benefit (OPEB) plans.

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Other liabilities increased a net of \$1.4 million (3.1%), primarily driven by a decrease in accounts payable across all funds of \$5.7 million and increases for accrued payroll, related taxes and other obligations of \$7.0 million due at June 30, 2023.

Long-term liabilities increased by \$61.7 million (19.5%). This was primarily due to increases of \$63.1 million in pension and other post employment obligations and newly recognized obligations related to subscription-based information technology agreements (SBITAS). The SBITA obligations are being recognized as part of the required implementation of the new accounting standards under GASB 96. The increases were offset by a decrease of \$1.4 million in liabilities related to capital notes payable and workers compensation claims.

Deferred inflows of resources decreased by \$99.4 million (63.6%). This is due to actuarial computations related to the pension and OPEB obligations.

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Management's Discussion and Analysis (Unaudited)

June 30, 2023

The following table summarizes the changes in the School Board's Net Position:

Table 2
Changes in Net Position

(In millions)

	FY 2023	FY 2022	Change	
Revenues:		· · · · · · · · · · · · · · · · · · ·		
Program revenues:				
Charges for services	\$ 6.6	\$ 4.7	\$ 1.9	
Operating grants and contributions	164.9	138.5	26.4	
Capital grants and contributions	2.0	0.9	1.1	
General revenues:				
Local	123.3	142.6	(19.3)	
State	179.9	163.4	16.5	
Federal	2.6	1.7	0.9	
Interest	0.5	0.1	0.4	
Total revenues	479.8	451.9	27.9	
Expenses:				
Academic services	265.5	246.3	19.2	
Attendance and health	8.3	5.4	2.9	
Transportation services	24.2	21.8	2.4	
Operations and facilities	56.3	34.6	21.7	
Child nutrition services	21.5	14.9	6.6	
Technology services	21.6	24.1	(2.5)	
Administration	21.7	11.6	10.1	
Interest on capital debt	0.1	0.2	(0.1)	
Total expenses	419.2	358.9	60.3	
Change in net position	60.6	93.0	(32.4)	
Beginning net position	(154.2)	(247.2)	93.0	
Ending net position	\$ (93.6)	\$ (154.2)	\$ 60.6	

For the Fiscal Year, ended June 30, 2023, revenues from governmental activities (excluding charges for services and interest) totaled \$472.7 million, \$25.6 million more than in FY2022. Charges for services and interest were \$7.1 million to bring the total to \$479.8 million. Charges for services and interest increased by \$2.3 million (47.9%) from FY2022. This is primarily due to higher indirect costs to grants.

Operating grants, which were comprised of approximately 43.2% from Virginia sources, 54.8% from federal sources and 2% from local sources, totaled \$164.9 million (34.4% of the total). This was an increase of \$26.4 million (19.1%). Federal grants account for \$14.4 million (54.8%) of the increase and state grants accounted for \$11.4 million (43.2%) of the increase.

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Capital grants, which was primarily for technology, was \$2.0 million (0.4% of the total) and showed a \$1.1 million increase.

Local revenue from the City is shown net of the amount returned for debt service (to reflect bonded debt still outstanding and owed by the City for school capital assets). The detail is as follows:

Revenue to the General Fund (budget basis)	\$ 116,189,307
Less debt service returned to the City	(1,074,895)
Add Revenue General Obligation Bonds	740,095
Add Grant Choice Neighborhoods (Cash Basis)	44,890
Add Grant Gun Violence Program (Cash Basis)	88,068
Add Revenue General Capital Fund	2,757,251
Add capital assets transferred from City tenancy-in-common	12,948,106
Less capital assets transferred to City tenancy-in-common	(8,361,674)
Net amount from City - Entity-wide statements	\$ 123,331,148
•	

Plus the City provided operating grants of \$132,958

Revenue from the City in FY2023 was \$123.3 million (25.7% of the total), a decrease of \$19.3 million. This decrease was, in part, due to less funding for capital projects using General Obligation Bonds. Additionally, in FY2023 the City transferred a book value of \$12.9 million in buildings and related improvements as a part of transfers under Assets Held Tenancy in Common. The FY2022 transfer was \$24.2 million in comparison. The City also provided \$2.0 million in funding for school buses and \$0.8 million for security detection equipment.

In FY2023 Commonwealth Standards of Quality (SOQ) Funds accounted for \$170.7 million (35.4%) of the School Board's resources. These funds are based on student membership counts. These funds increased by \$7.3 million (4.5%). The largest increase occurred in Basic Aid which was higher by \$5.6 million to account for 7% of the increase. State sales tax revenue increased slightly by \$0.5 million. Total revenue from the Commonwealth of Virginia increased \$16.5 million.

Federal revenue increased by \$0.9 million to \$2.6 million in FY2023 due to higher Impact Aid funding.

Interest income of \$0.5 million (0.1% of the total) increased \$0.4 million (400.0%) in FY2023.

Expenses for FY2023 totaled \$419.2 million, an increase of \$60.3 million (16.8%).

Academic services accounted for \$265.5 million (63.3%) of the School Board's total expenses. A significant portion of this amount is for the salaries and benefits of teachers, teacher assistants, and instructional administrators. This category increased by \$19.2 million (7.8%). Additionally, staffing vacancies throughout the year required increased spending for contracted instructional services.

Operations and facilities were the next highest cost category with a total of \$56.3 million (13.4% of the total). Much of these expenses relate to the operation (utilities and insurance), maintenance, and cleaning of our 41 regular schools, six alternative school sites, and administrative offices. This category increased by \$21.7 million (62.7%) from last year.

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Transportation services is the third largest cost category, with expenses of \$24.2 million (5.8% of the total). This category showed an increase of \$2.4 million (11.0%). Vehicle operation services accounted for the increase, primarily due to higher compensation, materials and supplies, and capital outlay expenditures.

Administration the fourth largest cost category, with expenses of \$21.7 million (5.2% of the total). This category increased by \$10.1 million (87.1%). Higher costs for Compensation and benefits and purchased services accounted for the increase.

Technology services is the fifth largest cost category, with expenses of \$21.6 million (5.2% of the total). This category showed a decrease of \$2.5 million (-10.4%).

Child Nutrition Services is the sixth largest cost category, with expenses of \$21.5 million (5.1% of the total). Higher food and supply costs, as well as increased compensation and benefits accounted for this increase.

#### **Capital Assets**

At the end of 2023, the School Board had invested \$187.5 million in capital assets, which reflects historical cost of \$404.8 million and accumulated depreciation of \$217.3 million. In addition, the School Board and the City have, under the provisions of AHTIC, a net of \$127.4 million of capital assets, which are reflected in the financial statements of the City (historical cost of \$157.7 million net of accumulated depreciation of \$30.3 million). Most school buildings and improvements undertaken in the past 20 years, for which City bonded debt has been issued, are included therein.

The following table shows the capital assets recorded on the School Board's books at year-end.

## Table 3 Capital Assets, Net (In millions)

	FY 2023	FY 2022	Change
Nondepreciable assets:	<u>.</u>		
Land	\$ 2.3	\$ 2.3	\$ -
Construction in progress	4.5	3.2	1.3
Other capital assets:			
Buildings	183.7	169.2	14.5
Right to use lease and SBITA assets	7.2	5.7	1.5
Building improvements	131.1	95.5	35.6
Equipment and vehicles	76.0	72.0	4.0
Accumulated depreciation/amortization	(217.3)	(181.1)	(36.2)
Total	\$ 187.5	\$ 166.8	\$ 20.7

Buildings increased by \$14.5 million (8.6%) due primarily to the transfer of various building and improvements to the School Board under the provisions of AHTIC, as City bonded debt associated with the building construction has been paid off. Accumulated depreciation increased \$36.2 million due to \$30.1 million of accumulated depreciation on the transfer of buildings and improvements from the City and \$12.0 million of depreciation expense. This was partially offset by a decrease of \$4.2 million of retired assets, primarily school buses and older textbooks. See Note 4 to the financial statements for additional information.

Management's Discussion and Analysis (Unaudited)
June 30, 2023

#### Long-Term Liabilities

The School Board cannot issue bonded debt. Accordingly, long-term liabilities of \$378.3 million, as shown on Table 1, are related to leases on operating space and capital equipment, capital facility notes payable, compensated absences, workers' compensation claims payable (under our self-insurance program), incurred but not reported claims under our self-insured employee health insurance program, pension obligations and other postemployment benefits. During FY2023, long-term liabilities had a net increase of \$61.7 million. Pension and OBEB liabilities increased by \$62.9 million due to financial market fluctuations and changes in actuarial valuations. Additionally, there was a \$0.2 million increase due to the school board recognition of new Subscription-Based Information Technology agreement liabilities under the new GASB 96 standard. See Note 6 in the notes to basic financial statements for additional information.

#### Financial Analysis of the School Board's Governmental Funds

(The comments in this section pertain to the Balance Sheet – Governmental Funds on page 17 and the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds on page 18).

For the fiscal year ended June 30, 2023, the governmental funds had a combined fund balance of \$74.1 million. This is a slight decrease of \$0.7 million as compared to \$74.8 million in FY2022. The General Fund accounted for the change in fund balance, primarily due to expenditures exceeding revenues on a GAAP basis.

#### **General Fund Budgetary Highlights**

Table 4
General Fund Budget to Actual Summary (non-GAAP basis)

Year ended June 30, 2023 (In millions)

	Original	Amended	A	<b>X</b> 7 •
	Budget	Budget	Actual	Variance
Revenues:				
State	\$ 235.6	\$ 235.6	\$ 232.3	\$ (3.3)
City	116.2	116.2	116.2	-
Federal	3.1	3.1	3.0	(0.1)
Other	2.5	8.8	11.9	3.1
Total revenues	357.4	363.7	363.4	(0.3)
Expenditures and transfers:				
Expenditures	356.4	362.7	355.5	7.2
Transfers	1.0	1.0	1.0	
Total expenditures		·		
and transfers	357.4	363.7	356.5	7.2
Change in fund balance	\$ -	\$ -	\$ 6.9	\$ 6.9

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Revenues from the Commonwealth was \$3.3 million less than the budget. This is due to lower SOQ funding of \$4.4 million related to lower student enrollment. This decrease was partially offset by an increase in sales taxes received by \$2.7 million and the addition of No Loss Funding of \$6.5 million. Other revenue was \$3.1 million more than the budget due to higher indirect costs charged to federal ESSER and ARP grants. Additionally, higher financing revenue and interest were recognized in the implementation of the new Subscription-Based Information Technology agreements accounting standard under GASB 96. The net revenue deficit was \$0.3 million.

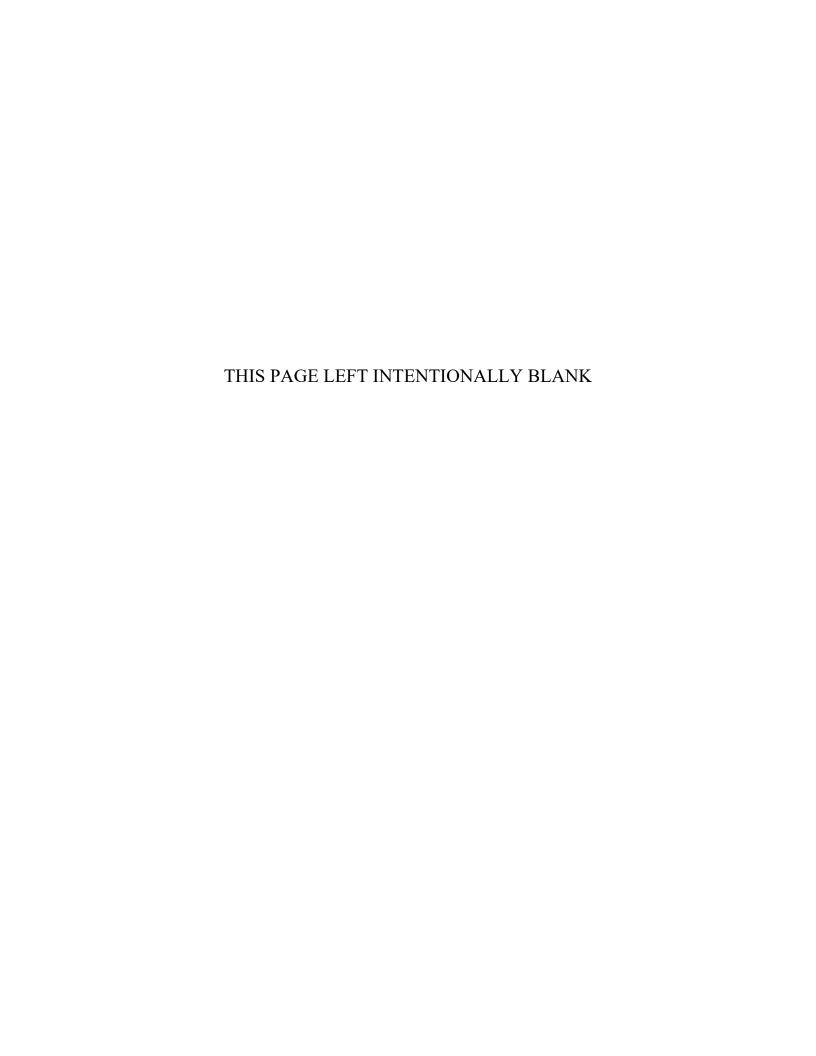
Expenditures were \$7.2 million less than budgeted due to a combination of turnover and attrition across the division and savings on non-personnel costs.

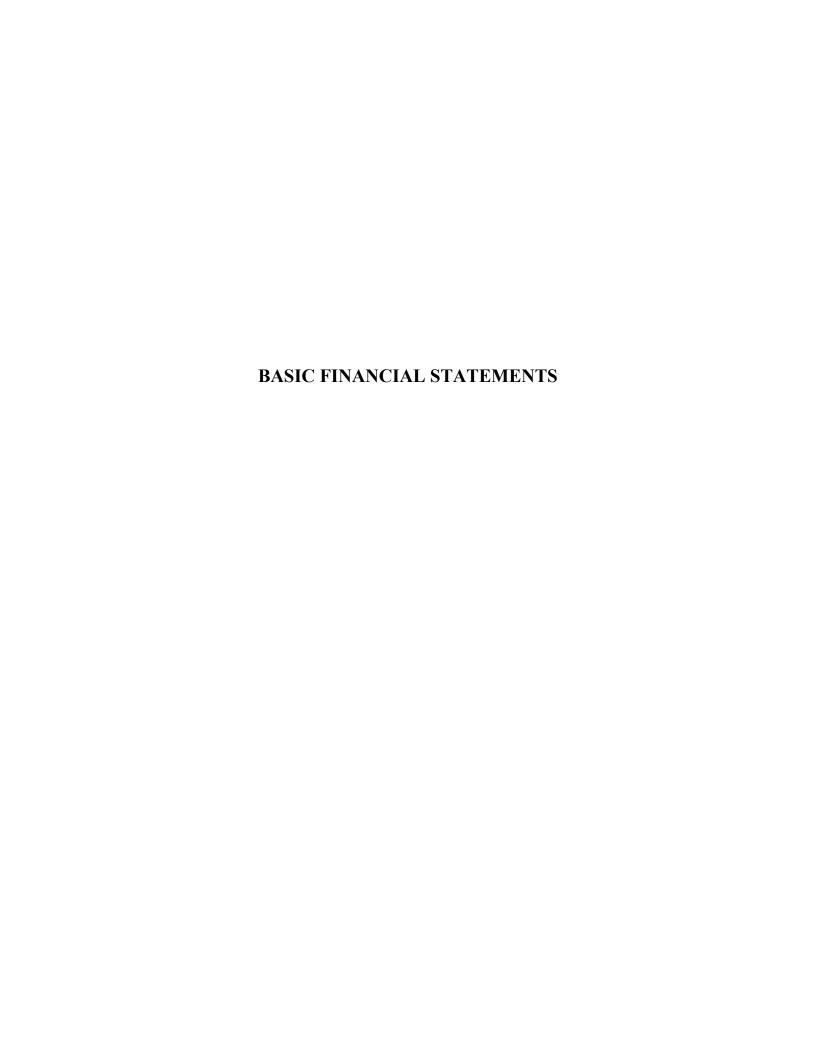
#### **Economic Factors**

The School Board is financially dependent upon the Commonwealth, the City of Newport News, and to some extent the Federal government. All of these appear to have sufficient resources to support the School Board in the near future. However, FY2023 enrollment was lower than expected by approximately 224 students. It appears to be primarily related to parents choosing alternate forms of education for their children.

#### **Contacting the School Board's Financial Management**

This financial report is designed to provide our citizens, taxpayers, local business owners, parents, and vendors with a general overview of the School Board's finances and to demonstrate the School Board's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Scarlett Minto, Chief Finance Officer, 12465 Warwick Boulevard, Newport News, Virginia 23606, telephone (757) 591-4511. In addition, there is nonfinancial information on our schools, curriculum, and programs on the School Board's website at <a href="https://www.sbo.nn.k12.va.us">www.sbo.nn.k12.va.us</a>.





#### Statement of Net Position – Governmental Activities

June 30, 2023

Assets		
Cash and temporary investments	\$	84,334,191
Cash with agent		5,050,000
Accounts receivable, net		516,634
Receivables from other governments:		
City of Newport News, Virginia		3,777,716
Federal:		
Department of Agriculture		782,389
Commonwealth of Virginia:		
Department of Treasury – sales tax		3,103,285
Department of Education		20,469,491
Inventories, at cost		3,006,716
Pension asset (VRS stand-alone plan)		2,247,906
Capital assets, non-depreciable		6,803,890
Capital assets, depreciable, net		180,694,928
Total assets		310,787,146
Deferred Outflows of Resources		
Deferred pension (NNERF)		19,392,892
Deferred pension (VRS professional plan)		46,467,352
Deferred pension (VRS non-professional plan)		1,207,667
Deferred OPEB (NNPS Trust Fund)		3,301,769
Deferred OPEB (VRS health income credit)		2,936,372
Deferred OPEB (VRS group life insurance)		4,078,307
Total deferred outflows of resources	_	77,384,359
Liabilities		
Accounts payable		7,188,283
Accrued liabilities		1,796,806
Payroll withholdings and accrued fringe benefits		33,615,007
Unearned revenues		4,020,127
Long-term liabilities:		
Due within one year		7,776,022
Due in more than one year		370,573,615
Total liabilities		424,969,860
Deferred Inflows of Resources		
Deferred pension (VRS professional plan)		43,165,667
Deferred pension (VRS non-professional plan)		1,060,485
Deferred OPEB (NNPS Trust Fund)		2,849,091
Deferred OPEB (VRS health care credit)		2,251,247
Deferred OPEB (VRS group life insurance)		2,565,187
Deferred contribution to City – AHTIC Deferred inflows related to leases		4,602,180 325,733
Total deferred inflows of resources		56,819,590
1 otal deferred liftle we of resources		50,017,570
Net Position		
Net investment in capital assets		170,797,424
Restricted for:		
Adult Education		245,868
Capital Projects		7,634,016
Child Nutrition Services		9,136,971
Pensions		2,247,906
Student activities		1,511,875
Textbooks		8,830,644
Workers' Compensation		7,127,119
Unrestricted (deficit)		(301,149,768)
Total net position	\$	(93,617,945)

#### Statement of Activities – Governmental Activities

Year Ended June 30, 2023

		Program Revenues				Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions		Grants and Grants and		Revenue and Changes in Net Position
Governmental activities:							
Academic services	\$ 265,493,617	\$ 2,965,403	\$	144,040,374	\$	-	\$ (118,487,840)
Attendance and health services	8,313,982	-		-		-	(8,313,982)
Transportation services	24,255,683	-		-		25,624	(24,230,059)
Operations and facilities	56,287,038	487,464		-		-	(55,799,574)
Child nutrition services	21,515,469	424,741		20,868,301		-	(222,427)
Technology services	21,592,096	-		-		1,929,603	(19,662,493)
Administration	21,682,049	2,706,172		-		-	(18,975,877)
Interest on capital debt	 76,953			-		-	(76,953)
Total governmental activities	\$ 419,216,886	\$ 6,583,780	\$	164,908,675	\$	1,955,227	(245,769,204)
General revenues: Unrestricted:							
City of Newport News, Virginia							123,331,148
Commonwealth of Virginia							179,946,746
Federal government							2,549,642
Interest							510,480
Total general revenues							306,338,016
Change in net position							60,568,812
Net position at beginning of year							(154,186,757)
Net position at end of year							\$ (93,617,945)

## Balance Sheet – Governmental Funds

June 30, 2023

Assets	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 47,147,274	\$ 283,152	\$ -	\$ 36,903,765	\$ 84,334,191
Cash with agent	4,800,000	-	-	250,000	5,050,000
Accounts receivable, net	355,661	30,418	-	130,555	516,634
Receivables from other governments:					
City of Newport News	-	-	3,777,716	-	3,777,716
Federal:					
Department of Agriculture	-	-	-	782,389	782,389
Commonwealth of Virginia:					
Department of Treasury – sales tax	3,103,285	20.460.401	-	-	3,103,285
Department of Education	2 102 101	20,469,491	-	924.525	20,469,491
Inventories, at cost Due from other funds	2,182,181 13,160,000	-	-	824,535	3,006,716 13,160,000
Total assets	\$ 70,748,401	\$ 20,783,061	\$ 3,777,716	\$ 38,891,244	\$ 134,200,422
1 otal assets	\$ 70,740,401	\$ 20,765,001	3 3,777,710	3 30,091,244	\$ 134,200,422
Liabilities, Deferred Inflows of Resources and Fund Balances Liabilities:					
Accounts payable	\$ 2,146,902	\$ 3,627,224	\$ 507,470	\$ 906,687	\$ 7,188,283
Accrued liabilities	1,796,806	-	<u>-</u>	-	1,796,806
Payroll withholdings and accrued employee benefits	33,615,007	-	-	-	33,615,007
Due to other funds	-	13,160,000	-	=	13,160,000
Unearned revenues	24,290	3,995,837			4,020,127
Total liabilities	37,583,005	20,783,061	507,470	906,687	59,780,223
Deferred inflows of resources:					
Deferred inflows related to leases  Total deferred inflows of resources	325,733 325,733	-	· <del></del>		325,733
1 of all deferred liftlows of resources	323,/33				323,733
Fund balances:					
Nonspendable:					
Imprest funds	2,125	-	-	-	2,125
Inventories	2,182,181	-	-	824,535	3,006,716
Restricted:					
Adult education services	-	-	-	245,868	245,868
Capital projects	-	-	-	7,634,016	7,634,016
Child nutrition services	-	-	-	9,136,971	9,136,971
Textbooks	-	-	-	8,830,644	8,830,644
Workers' compensation Student activities	-	-	-	7,127,119	7,127,119
Assigned to:	-	-	-	1,511,875	1,511,875
Contractual obligations	18,161,675	_	3,270,246	2,673,529	24,105,450
Health insurance	4,800,000	_	-	-	4,800,000
Unassigned	7,693,682	_	_	-	7,693,682
Total fund balances	32,839,663		3,270,246	37,984,557	74,094,466
Total liabilities, deferred inflows of			·		
resources and fund balances	\$ 70,748,401	\$ 20,783,061	\$ 3,777,716	\$ 38,891,244	\$ 134,200,422
Amounts reported for governmental activities in					
the Statement of Net Position are different because:					
Total fund balances reported in governmental funds					\$ 74,094,466
Capital assets used in governmental activities are no	ot financial resource	es and, therefore, ar	re not reported in th	e funds	187,498,818
Pension assets used in governmental activities are n	ot financial resource	ees and, therefore, a	are not reported in t	he funds	2,247,906
Deferred retirement outflows of resources used in go	vernmental activit	ies are not financia	l resources and, then	refore, are not	
reported in the funds					77,384,359
Long-term liabilities are not due and payable in the	current period and,	therefore, are not	reported in the fund	s	(378,349,637)
Deferred inflows from City tenancy-in-common are	-		-		
Deferred retirement inflows of resources are not rec	ognized in the curr	ent period and, the	refore, are not repor	rted in the funds	(51,891,677)
Net position of governmental activities	-	-	•		\$ (93,617,945)

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds Year Ended June 30, 2023

	General Fund	Grant Fund	General Obligation Bond Fund	Other Nonmajor overnmental Funds	G	Total overnmental Funds
Revenues:		 	 	 		
Intergovernmental:						
City of Newport News, Virginia	\$115,114,412	\$ 132,958	\$ 740,095	\$ 2,757,251	\$	118,744,716
Commonwealth of Virginia	232,362,451	8,173,126	-	11,086,371		251,621,948
Federal government	2,972,451	71,150,881	-	20,451,934		94,575,266
Charges for services	4,216,338	-	-	2,367,442		6,583,780
Investment income	3,693	-	-	506,787		510,480
Miscellaneous	-	334,478	-	2,828,598		3,163,076
Total revenues	354,669,345	79,791,443	 740,095	 39,998,383		475,199,266
Expenditures:						
Current:						
Academic services	243,213,803	47,173,760	-	5,786,598		296,174,161
Attendance and health services	8,431,721	423,402	-	99,701		8,954,824
Transportation services	24,003,981	446,706	-	-		24,450,687
Operations and facilities	43,453,806	15,832,351	805,058	964,424		61,055,639
Child nutrition services	-	438,233	-	22,786,862		23,225,095
Technology services	15,355,867	8,083,316	-	9,307		23,448,490
Administration	14,849,284	7,368,051	-	1,468,395		23,685,730
Debt service:						
Principal	1,969,350	-	-	428,838		2,398,188
Interest and other charges	43,641	-	-	33,312		76,953
Capital outlay	5,191,177	155,364	5,348,059	2,995,490		13,690,090
Total expenditures	356,512,630	79,921,183	 6,153,117	 34,572,927		477,159,857
Excess (deficiency) of revenues over				 ,		
(under) expenditures	(1,843,285)	(129,740)	(5,413,022)	5,425,456		(1,960,591)
Other financing sources						
Leases and SBIT As issued	1,369,516	129,740	-	-		1,499,256
Transfers in	-	-	-	2,598,177		2,598,177
Transfers out	(2,598,177)	-	-	-		(2,598,177)
Total other financing sources (uses), net	(1,228,661)	129,740	-	2,598,177		1,499,256
Net change in fund balances	(3,071,946)	-	(5,413,022)	8,023,633		(461,335)
Fund balances beginning of year	36,047,678	-	 8,683,268	 30,105,667		74,836,613
Decrease in nonspendable inventory	(136,069)		-	(144,743)		(280,812)
Fund balances at end of year	\$ 32,839,663	\$ -	\$ 3,270,246	\$ 37,984,557	\$	74,094,466

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2023

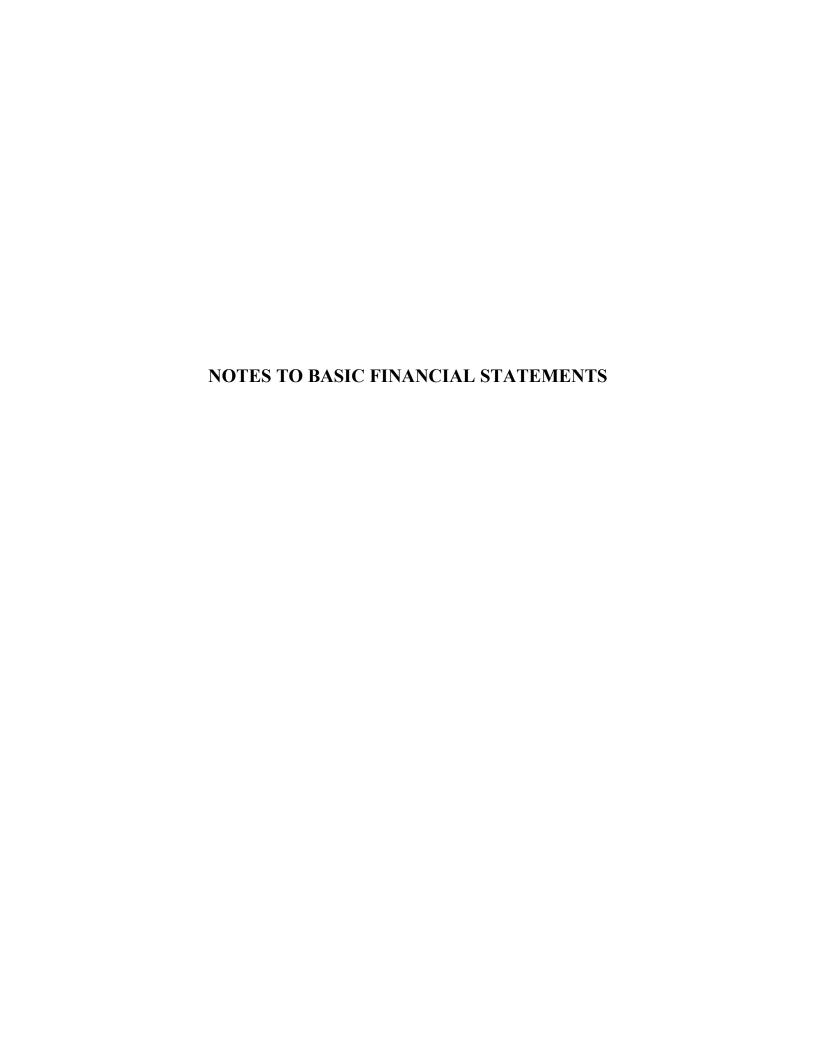
Net change in fund balances – total governmental funds		\$ (461,335)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the		
Statement of Activities, the cost of those assets is allocated over their estimated		
useful lives and reported as depreciation expense. This is the amount by		
which capital outlay's exceeded depreciation in the current period.		
	14,689,961	
Items expensed, but shown as capitalized	14,051,984	
Transfer from City, tenancy-in-common	12,948,106	
Transfer to City, tenancy-in-common	(8,361,674)	
Transfer to City, tenancy-in-common	(8,301,074)	
Capital outlay, net	33,328,377	
Loss on disposal of capital assets		
Depreciation/amortization expense	(12,019,656)	21,308,721
Leases and SBITAs issued during the year are reported as expenditures in the funds but costs	s of	
those assets are amortized over the life of the lease		(1,499,256)
Repayment of debt principal is an expenditure in the governmental funds, but		
does not affect the Statement of Activities.		2,398,188
Changes in some expenses reported in the Statement of Activities do not require the use of		
current financial resources and, therefore, are not reported as expenditures in		
governmental funds.		
Compensated absences		92,122
Workers' compensation claims		(758,614)
Health insurance claims		366,000
OPEB benefits incurred		3,854,876
Pension costs incurred		(66,837,584)
Statement of Activities, pension asset decreased, thus decreasing net position		(547,094)
Statement of Activities, deferred outflows of resources associated with pension and OPEB p but are not included in governmental funds	lans increased,	4,749,844
Statement of Activities, change in deferred inflows of resources associated with pension and increased, but are not included in governmental funds	OPEB plans	100,392,313
Statement of Activities, change in deferred inflows of resources associated with City contributo tenancy-in-common	ntion related	(2,208,557)
Change in nonspendable inventory from governmental funds is included in		
expenses in the Statement of Activities.		 (280,812)
Change in net position of governmental activities		\$ 60,568,812

Statement of Fiduciary Net Position – Fiduciary Fund June 30, 2023

	C	PEB Trust
		Fund
Assets:		
Investments, at fair value:		
Money market trust	\$_	34,470,788
Total assets		34,470,788
M. D. W.		
Net Position:		
Net position restricted for other postemployment benefits	\$	34,470,788

## Statement of Changes in Fiduciary Net Position – Fiduciary Fund Year Ended June 30, 2023

	<b>OPEB Trust</b>	
		Fund
Additions		
Contributions:		
Employer contributions	\$	5,259,673
Plan member (retiree) contributions		921,235
Total contributions		6,180,908
Net investment income:		
Net decrease in the fair value of investments		2,428,656
Interest and dividends		14,425
Total investment loss		2,443,081
Total additions		8,623,989
Deductions		
Benefits		6,180,908
Administrative expenses		29,812
Total deductions		6,210,720
Change in fiduicary net position		2,413,269
Fiduciary net position at beginning of year		32,057,519
Fiduciary net position at end of year		34,470,788



Notes to Basic Financial Statements
June 30, 2023

#### (1) Summary of Significant Accounting Policies

#### **Narrative Profile**

The School Board of the City of Newport News, Virginia (the School Board) was established in 1898 to provide educational opportunities to the residents of the City of Newport News, Virginia (the City). The School Board is the elected body operating under the Constitution of Virginia and the *Code of Virginia*. The members of the School Board are elected by the citizens of the City to serve four-year terms. The School Board determines educational policy and employs a superintendent of schools to administer the public-school system.

### (a) Financial Reporting Entity

The School Board receives funding from taxes collected and allocated by the City and the Commonwealth in addition to federal aid. School construction projects are funded by general obligation bonds and State Literary Loans approved by City Council (the Council). The School Board itself has no power to levy and collect taxes, or to increase its budget. The Council annually appropriates funds to the School Board for educational expenditures, levies taxes and issues debt on behalf of the School Board. The legal liability for general obligation debt remains with the City. Because of the relationship with the City, the School Board is considered a component unit of the City Primary Government as defined by accounting principles generally accepted in the United States of America (GAAP) for governmental entities.

#### (b) Basis of Presentations

The School Board's financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities along with fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities display information about the School Board as a whole, except for the fiduciary fund. These statements are reported on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets as well as long-term liabilities. Transfers are eliminated to avoid "doubling up" revenues and expenditures.

The Statement of Net Position presents the financial condition of the governmental activities of the School Board at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School Board governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are identifiable to a particular function. Expenses are grouped in the following categories: Academic services, Attendance and Health Services, Transportation Services, Operation and Facilities, Child Nutrition Services, Technology Services, Administration, and Interest on Capital Debt.

Notes to Basic Financial Statements
June 30, 2023

#### (1) Summary of Significant Accounting Policies (Continued)

Program revenues include charges paid by the recipient for the goods or services offered by the program or from grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Charges for services include adult education, summer school tuition and cafeteria sales. Revenues not classified as program revenues are presented as general revenues of the School Board. This includes funding provided by the Commonwealth of Virginia related to their adopted Standards of Quality (SOQ), which are considered funding for all educationally related functions of the School Board and are based upon student enrollment and prevailing average costs throughout the Commonwealth. These revenues are reported as general revenues as the intricacies of the funding formula do not permit a breakdown by function. The comparison of direct expenses with program revenues identifies the extent to which the governmental function is self-financing or draws from the general revenues of the School Board. The School Board does not allocate indirect expenses. When both restricted and unrestricted resources are available for use, it is the School Board's policy to use restricted resources first.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated.

Fund Financial Statements: During the year, the School Board segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements present financial information of the School Board at this more detailed level. The focus of governmental funds' financial statements is on major funds, each displayed in a separate column. The School Board has identified the General Fund, the Grant Fund, and the General Obligation Bond Fund as major.

The accounts of the School Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, deferred flows of resources and fund balance, revenues, and expenditures. The fund statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus is based upon the determination of changes in financial position, rather than upon net income determination. The acquisition, use and balances of the School Board's expendable financial resources and the related liabilities are accounted for through governmental funds.

The School Board reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the School Board. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily from intergovernmental revenues.

*Grant Fund* – The Grant Fund accounts for the proceeds of federal and Virginia operating and capital grants, which are received for a designated purpose.

General Obligation Bond Fund – This fund accounts for proceeds of general obligation bonds issued by the City to construct or purchase capital assets.

Notes to Basic Financial Statements
June 30, 2023

### (1) Summary of Significant Accounting Policies (Continued)

Additionally, the School Board reports the following governmental and fiduciary funds:

Special Revenue Funds – Special Revenue Funds account for revenue derived from specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes. The School Board utilizes four special revenue funds - Workers' Compensation Fund, Textbook Fund, Child Nutrition Services Fund, Adult Education Fund, Enterprise Academy Fund and School Activity Fund.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources received and used for the acquisition, construction or improvement of capital facilities, or maintenance of the school plant (other than those financed by the other funds).

Fiduciary Fund – Fiduciary Fund accounts for assets held by the School Board in a trustee capacity for individuals, private organizations and other governmental units. The School Board's fiduciary funds is presented in the Fund financial statements by type (Other Postemployment Benefits (OPEB)). Since, by definition, these assets are being held for the benefit of a third party (OPEB participants), and cannot be used to address activities or obligations of the School Board, these funds are not incorporated into the Government-wide statements. The following is the School Board's fiduciary fund:

Other Postemployment Benefit Plan – The Trust Fund consists of the School Board's postemployment benefit plan.

## (c) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Governmental funds use the modified accrual basis of accounting and the current financial resources measurement focus. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenues and deferred flows of resources, and in the presentation of expenses versus expenditures. Governmental funds' financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Under the modified accrual basis of accounting, revenues are recorded when subject to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School Board considers collections within 60 days of year-end as available. Sales tax revenue is accrued when the underlying sales transaction has taken place and is remitted to the School Board within 60 days of the sales transaction. Expenditures, other than those related to long-term obligations (e.g., principal and interest on long-term debt, compensated absences, retirement), which is recorded when due, are recorded when the related fund liability is incurred.

Notes to Basic Financial Statements
June 30, 2023

### (1) Summary of Significant Accounting Policies (Continued)

In applying the subject to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the School Board; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Under the accrual basis of accounting, revenues are recognized when earned. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Expenses are recognized at the time they are incurred.

#### (d) Encumbrances

The School Board employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as "assigned to contractual obligations" as part of fund equity, since they constitute neither expenditures nor liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year. According to the City Code, unexpended, unencumbered appropriations lapse at the end of the year.

#### (e) Cash and Temporary Investments

Cash and temporary investments are pooled with the cash and investments of the City, except for petty cash of \$2,320 and school activity funds of \$1,511,875. The School Board utilizes the pooled cash investment method wherein income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and cash equivalents of each fund to the total pooled cash and cash equivalents. The cash in the school activity funds represents the Student Activity Fund cash balances in the separate bank accounts maintained by the individual schools. The investments that are maintained in the Virginia Association of Counties/Virginia Municipal League (VACo/VML) OPEB Pooled Trust Fund are valued using the net asset value (NAV) per share, which is determined by dividing the total value of the Trust by the number of outstanding shares. NAV per share changes with the value of the underlying investments in the OPEB Pooled Trust Fund. Generally, participants may redeem their investment at the end of a calendar quarter upon 90 days' written notice.

#### (f) Cash with Agent

Cash with agent of \$5,050,000 represents \$4,800,000 of healthcare premiums paid in advance and on deposit with our third-party claims administrator. Another \$250,000 is held in escrow by our workers' compensation third party claims administrator in order to pay claims. The School Board's healthcare program is self-insured (see Note 9 (a) for further information). Premiums paid in prior years have been more than actual claims and expenses. The premiums are on deposit to pay future healthcare premiums.

Notes to Basic Financial Statements
June 30, 2023

## (1) Summary of Significant Accounting Policies (Continued)

### (g) Receivables and Due from Other Governments

Amounts due from the Commonwealth of Virginia consist primarily of May sales tax, receivables from Virginia entitlements and reimbursement of grants expenditures. Amounts due from the federal government are for reimbursement of grants expenditures. Receivables consist primarily of amounts due from students and other customers of the School Board. All amounts should be collected within one year.

### (h) Inventories

Inventories consist of consumable materials and supplies held for future consumption. Inventory is accounted for under the purchases method. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased in the fund financial statements. Quantities on hand at year-end are recorded on the governmental funds' Balance Sheet at cost on a first-in, first-out basis and classified as a non-spendable fund balance.

#### (i) Capital Assets

General capital assets have been acquired for general school purposes. Capital outlays are recorded as expenditures in the governmental funds and as assets in the government-wide financial statements to the extent the School Board capitalization threshold is met.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated assets are recorded at estimated acquisition value on the date received. The capitalization threshold for equipment, improvements, and buildings is \$5,000 with a useful life of at least five years. Textbooks, which are included in the amount listed under Machinery and Equipment, are capitalized regardless of value. Land is capitalized regardless of value as well.

Under Virginia law, certain property maintained by the School Board is subject to tenancy-incommon with the City, if the City incurred a financial obligation for the property which is payable over more than one fiscal year. Such property will be carried on the City's financial statements until the outstanding debt is repaid, upon which time the book value of the assets in question will be transferred back to the School Board's books. At June 30, 2023, the City holds capital assets related to school property with a net book value of \$127,369,762.

Depreciation and amortization is recorded on general capital assets on a government-wide basis. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method with half-year convention over the following useful lives:

	Es timate d
<b>Description</b>	Useful Lives
Buildings	60 years
Improvements	25 years
Machinery and equipment	5-20 years
Right to use - SBITAs	18-65 months
Right to use - leases	7-12 years

Notes to Basic Financial Statements
June 30, 2023

## (1) Summary of Significant Accounting Policies (Continued)

### (j) Subscription Based Information Technology Arrangements

The School Board has recorded Subscription-Based Information Technology Arrangement ("SBITA") assets and liabilities as a result of implementing GASB 96. The SBITA assets are initially measured at an amount equal to the initial measurement of the related SBITA liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, and plus any ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straight-line basis over the life of the related contract. SBITAs which are based on variable payments (or user seats) are not recorded as subscription assets or liabilities and are expenses as incurred.

### (k) Compensated Absences

School Board employees are granted vacation and sick pay in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation leave, which upon retirement, termination or death, may be compensated for certain amounts at their then current rate of pay. Upon termination for reasons other than retirement, School Board employees are not paid for accumulated sick leave. Upon retirement, sick leave may be taken in cash at \$30 per day depending upon employment status (maximum payment of \$5,000) or exchanged for additional service credit towards retiree health insurance subsidy. A liability for these amounts is reported in governmental funds only if they are expected to be paid with currently expendable financial resources.

#### (1) Fund Balance and Net Position Items

Fund balance of governmental funds are classified as follows:

*Non-spendable items* – This category includes resources that cannot be spent because they are not in a spendable form and are not available for appropriation.

- The General Fund has Nonspendable resources of \$2,320 which represents petty cash funds that are held by various cashiers.
- Inventories of \$3,006,716 are considered to be in a nonspendable form. The amounts are \$2,182,181 in the General Fund, and \$824,535 in the Child Nutrition Fund

Restricted items – This category includes resources restricted by the City Primary Government or grantor.

- The Workers' Compensation special revenue fund has a restricted fund balance of \$7,127,119, which City Council restricts for Workers' Compensation for the School Board's Self-Insured Workers' Compensation Plan.
- The Textbook special revenue fund has a restricted fund balance of \$8,830,644, which City Council restricts for textbooks. The School Board intends to purchase textbooks in the upcoming years based upon a six-year replacement cycle for most subjects.
- The Child Nutrition Services special revenue fund has a restricted fund balance of \$9,136,971 representing the portion of the fund balance provided over the years from federal and Virginia grants restricted for the purpose of providing students with nutritional meals.

Notes to Basic Financial Statements
June 30, 2023

### (1) Summary of Significant Accounting Policies (Continued)

- The Adult Education special revenue fund has a restricted fund balance of \$245,868
  representing the portion of the fund balance provided over the years from State grants
  restricted for the purpose of providing adult citizens of the community with educational
  services.
- The State Construction capital projects fund has a fund balance of \$7,634,016 restricted by the State for capital outlay.
- The Student Activity Fund has \$1,511,875 restricted for student activities.

Assigned to items – Assigned items represents School Board management's intent to use certain resources for assigned purposes. The Superintendent is authorized by the School Board annually during the budget approval process to make the following assignments as of June 30, 2023.

- \$24,105,450 is assigned to meet contractual obligations. The School Board has purchase orders outstanding with vendors in this amount and expects the vendors to deliver the goods and services in the upcoming fiscal year. The amounts are \$18,161,675 in the General Fund, \$3,270,246 in the General Obligation Bond Fund, \$33,465 in the Workers' Compensation Fund, \$501,175 in the Textbook Fund, and \$83,943 Child Nutrition Fund, and \$2,054,946 in the General Cash Capital Projects Fund.
- \$4,800,000 is assigned to the employee self-insured health insurance plan. Funds equal to this amount are on deposit with our contracted health insurance provider and shown as cash with agent in the asset section of the Balance Sheet.

*Net investment in capital assets* - The Statement of Net Position includes net investment in capital assets. The amount was determined as follows:

Capital assets:	
Capital assets, non-depreciable	\$ 6,803,890
Capital assets, depreciable, net	180,694,928
Total capital assets	187,498,818
Less related debt:	
Lease and SBITA liability	5,039,735
Capital facility notes payable	11,661,659
Total related debt	16,701,394
Net Investment in capital assets	\$ 170,797,424

Resource flow assumption – The flow assumption between restricted and assigned to resources is a pro rata base determined by the amount of funding provided by each source.

Notes to Basic Financial Statements
June 30, 2023

## (1) Summary of Significant Accounting Policies (Continued)

### (m) Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All interfund transactions, except interfund services provided and used, and reimbursements, are reported as transfers. Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All interfund balances, which are short-term in nature, result from the time lag between the dates that reimbursable expenditures occur and payments between funds are made.

## (n) Deferred Inflows and Outflows

In addition to assets and liabilities, the financial statements will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows represent a consumption of net assets and deferred inflows represent an acquisition of net assets that applies to a future period. Deferred outflows will be recognized as an outflow of resources (expense/expenditure) and deferred inflows will be recognized as an inflow of resources (revenue) in those future periods.

Deferred outflows of resources for pensions and OPEB can result from activities such as changes in actuarial assumptions and proportions, pension investment returns that exceed projected earnings, actual economic experience that is different than estimated, and pension contributions made subsequent to the measurement date. Changes in actuarial assumptions and proportions are deferred and recognized over the remaining service life of all participants and investment experience amounts are deferred and recognized over a closed five-year period. Contributions made subsequent will be recognized in the subsequent year.

Deferred inflows of resources, under the modified accrual basis of accounting, representing grants receivable not meeting revenue recognition yet, are reported in the Statement of Net Position and the governmental funds' Balance Sheet. A deferred inflow of resources is recorded for leases. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease. Deferred inflows of resources may also be reported for amounts related to pensions and OPEB in the government-wide Statement of Net Position, such as actuarial losses resulting from a difference in actual experience and actuarial assumptions. Changes in inflows, other than those related to investment activities, would be deferred and amortized over the remaining service life of all participants and deferred inflows resulting from pension investment returns lower than projected earnings are deferred and amortized over a closed five-year period.

Notes to Basic Financial Statements
June 30, 2023

## (1) Summary of Significant Accounting Policies (Continued)

### (o) Pensions and OPEB

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) pension/OPEB plan and the Newport News Employees' Retirement Fund (NNERF), and additions to/deductions from the plans' fiduciary net position, have been determined on the same basis as they are reported by VRS and NNERF, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### (p) Recently Implemented Accounting Pronouncements

The School Board implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The requirements of this Statement will provide guidance on the accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA (2) establishes that a SBITA results in a right-to-use subscription asset-intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, included implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. See Note 6 for further information.

#### (2) Cash and Cash Equivalents

All of the \$84,334,191 of School Board cash and cash equivalents (except for \$2,320 of petty cash funds and \$1,511,875 of school activity funds) are maintained on deposit with the Treasurer of the City. All of the funds are available for immediate School Board use. See the City's Annual Comprehensive Financial Report (ACFR) for additional details. A copy may be obtained from the City of Newport News, Virginia's Finance Department, 2400 Washington Avenue, Newport News, VA 23607.

The \$1,511,875 of school activity funds are on deposit at five different banks and four different credit unions. Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the Code. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Notes to Basic Financial Statements
June 30, 2023

## (3) Due To/Due From and Transfers In and Out

Interfund receivables and payables as of June 30, 2023 are as follows:

					Due from		Due to	
Transfers Out Tra		Tran	nsfers In	fers In Ot		O	Other Funds	
\$	2,598,177	\$	-	\$	13,160,000	\$	-	
y	-		2,598,177		-		-	
							13,160,000	
\$	2,598,177	\$	2,598,177	\$	13,160,000	\$	13,160,000	
	<b>Tra</b> \$	\$ 2,598,177 y -	\$ 2,598,177 \$ y - 	\$ 2,598,177 \$ - y - 2,598,177 	Transfers Out         Transfers In         O           \$ 2,598,177         \$ -         \$           y         -         2,598,177           -         -         -	\$ 2,598,177 \$ - \$ 13,160,000 y - 2,598,177	Transfers Out         Transfers In         Other Funds         O           \$ 2,598,177         \$ -         \$ 13,160,000         \$           y         -         2,598,177         -         -           -         -         -         -         -	

The amount shown for Interfund transfers represents funding transferred from the Operating fund to the Enterprise Academy, a partially state-funded regional alternative education program managed by Newport News Public Schools.

The amount shown for Due To/Due From represents funds provided by the Operating fund to the Grant Fund for cash to pay for expenditures until grant revenue is received in cash.

## (4) Capital Assets, Net

A summary of changes in capital assets follows:

	Balance			Assets Held Tenancy-	Balance
	July 01, 2022	Increases	Decreases	in-Common	June 30, 2023
Capital assets not being depreciated:					
Land	\$ 2,263,424	\$ -	\$ -	\$ -	\$ 2,263,424
Construction in progress	3,183,043	6,743,456	5,386,033		4,540,466
Total capital assets not being depreciated	5,446,467	6,743,456	5,386,033		6,803,890
Other capital assets:					
Buildings	169,232,886	964,701	-	13,524,983	183,722,570
Right to use leased building	5,477,752	-	-	-	5,477,752
Right to use leased equipment	224,042	214,011	241,441	-	196,612
Right to use SBITA	-	1,543,111	-	-	1,543,111
Improvements	95,451,584	7,581,659	-	28,068,012	131,101,255
Machinery and equipment	72,026,715	7,923,410	3,996,441		75,953,684
Total other capital assets	342,412,979	18,226,892	4,237,882	41,592,995	397,994,984
Less accumulated depreciation/amortization for:					
Buildings	91,432,000	2,819,695	-	4,574,027	98,825,722
Right to use leased assets	704,279	704,379	-	-	1,408,658
Right to use leased equipment	196,242	217,929	241,441	-	172,730
Right to use SBITA	-	581,777	-	-	581,777
Improvements	41,507,906	3,476,914	-	24,070,862	69,055,682
Machinery and equipment	47,227,939	4,218,962	4,191,414	-	47,255,487
Total accumulated depreciation/amortization	181,068,366	12,019,656	4,432,855	28,644,889	217,300,056
Other capital assets, net	161,344,613	6,207,236	(194,973)	12,948,106	180,694,928
Totals	\$ 166,791,080	\$ 12,950,692	\$ 5,191,060	\$ 12,948,106	\$ 187,498,818

Notes to Basic Financial Statements
June 30, 2023

## (4) Capital Assets, Net (Continued)

The adjustment for Assets Held Tenancy in-Common is for a school building held on the books of the City until the bonded debt was repaid. This is permitted per the laws of the Commonwealth of Virginia. Once the debt is repaid, an accounting entry is made to move the building back to the School Board. All the while, the School Board holds the deed to the property, retains full control, and operates all programs at the property and insures the property.

Depreciation and amortization was charged to governmental functions as follows:

Academic services	\$ 8,277,385
Attendance and health services	25,210
Transportation services	1,900,638
Operations and facilities	1,099,198
Child nutrition services	386,016
Technology services	239,248
Administration	 91,961
Total governmental activities depreciation and	
amortization expense	\$ 12,019,656

Construction in progress commitments are composed of the following at June 30, 2023:

		Expended		
	Project	Through	Balance of	Future
	Authorization	June 30, 2023	Authorization	Requirements
Total school projects	\$ 37,125,303	\$ 32,350,866	\$ 4,774,437	\$ -

Of the amount expended through June 30, 2023, all \$12,948,106 relates to assets transferred to the City under the AHTIC provisions. The balance of authorization of \$6,858,746 will be transferred to the City as AHTIC once completed. There are purchase orders totaling \$3,270,246 at June 30, 2023, leaving \$3,588,500 balance of authorization available for project procurement.

Notes to Basic Financial Statements
June 30, 2023

## (5) Leases Payable

The School Board entered into a lease as a lessee for the use of Enterprise Academy prior to, but with a commencement date of July 1, 2021, with a remaining life of 60 months. An initial lease liability was recorded in the amount of \$3,089,361. As of June 30, 2023, the value of the lease liability is \$2,234,518. Newport News Public Schools is required to make monthly fixed payments of \$38,553. The lease has an interest rate of 1.375%.

The School Board entered into a lease as a lessee for the use of Point Option prior to, but with a commencement date of July 1, 2021, with a remaining life of a 97 months. An initial lease liability was recorded in the amount of \$2,388,390. As of June 30, 2023, the value of the lease liability is \$1,915,425. Newport News Public Schools is required to make monthly fixed payments of \$20,990. The lease has an interest rate of 1.059%.

The School Board entered into a lease as a lessee for the use of a Ricoh copier with a commencement date of July 1, 2022 with a remaining life of a 14 months. An initial lease liability was recorded in the amount of \$214,011. As of June 30, 2023, the value of the lease liability is \$30,442. Newport News Public Schools is required to make monthly fixed payments of \$15,619. The lease has an interest rate of 4.000%.

See Note 6 for principal and interest payment schedule.

### (6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 follows:

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Compensated absences	\$ 5,802,023	\$ 3,004,583	\$ 2,912,461	\$ 5,894,145	\$ 2,652,365
Workers' compensation claims	5,721,288	671,368	1,429,982	4,962,674	992,535
Incurred but not reported health claims	2,431,000	31,554,070	31,188,070	2,797,000	2,797,000
Leases payable	4,834,839	214,011	868,465	4,180,385	712,339
Subscription-based information					
technology arrangements	-	1,285,245	425,895	859,350	434,491
Capital facility notes payable	12,765,487	-	1,103,828	11,661,659	187,292
OPEB NNPS Trust Fund	47,736,011	-	2,999,367	44,736,644	-
OPEB VRS health insurance credit	24,394,874	-	1,068,056	23,326,818	-
OPEB VRS group life insurance	10,205,536	212,547	-	10,418,083	-
VRS teacher pool pension	148,031,398	30,664,526	-	178,695,924	-
City of Newport News pension (NNERF)	54,643,897	36,173,058		90,816,955	
Totals	\$ 316,566,353	\$ 103,779,408	\$ 41,996,124	\$ 378,349,637	\$ 7,776,022

Incurred but not reported health claims represent an estimate of healthcare claims incurred by our employees as of June 30, 2023, but not paid by our third-party claims' administrator. As we are self-insured for healthcare claims, we consider the entire amount as due within one year. In fact, the claims are paid in a matter of a few weeks after year-end as the medical providers submit their claims to the third-party administrator.

Long-term liabilities are normally paid from the General Fund, including OPEB and pension obligations.

Notes to Basic Financial Statements
June 30, 2023

## (6) Long-Term Liabilities (Continued)

The annual requirements to pay principal and interest on capital facility notes payable due to Bank of America Public Capital Corp. are as follows:

	Principal	Interest	Total
FY2024	187,292	35,981	223,273
FY2025	1,186,754	294,553	1,481,307
FY2026	1,262,683	264,302	1,526,985
FY2027	1,331,824	232,104	1,563,928
FY2028	1,414,002	198,082	1,612,084
FY2029 - FY 2032	6,279,104	408,536	6,687,640
Totals	\$ 11,661,659	\$ 1,433,558	\$ 13,095,217

The interest rate on \$9,897,902 of debt is 2.651% and an annual payment is due each July 15. The interest rate is 2.04% on \$1,763,757 of the debt and an annual payment is due each March 1.

Capital facility notes payable provided financing for energy performance contract improvements and are paid from the General Fund.

Principal and interest payments to maturity for leases payable are as follows:

	Principal	Interest	Total
FY2024	712,339	47,155	759,494
FY2025	694,793	38,357	733,150
FY2026	708,591	29,550	738,141
FY2027	722,655	20,577	743,232
FY2028	736,992	11,434	748,426
FY2029 - FY 2032	605,015	7,017	612,032
Totals	\$ 4,180,385	\$ 154,090	\$ 4,334,475

Principal and interest payments to maturity for subscription-based information technology arrangements are as follows:

	Principal	Interest	Total
FY2024	434,491	18,079	452,570
FY2025	135,599	9,398	144,997
FY2026	141,546	6,399	147,945
FY2027	147,714	3,268	150,982
Totals	\$ 859,350	\$ 37,144	\$ 896,494

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans

### (a) Newport News Employees' Retirement Fund (NNERF)

## 1. Plan Description

NNERF is a cost-sharing multiple employer, defined benefit, public employee retirement system established and administered by the City to provide pension benefits for employees of the Primary Government, including the School Board. For school teachers and administrative support personnel employed by Schools, the Plan provides a supplement to the benefits they receive from Virginia Retirement System (VRS). The Plan has been closed to new School Board hires and rehires effective July 1, 2009 and since March 1, 2010 for the City. School Board employees whose primary pension benefit is through VRS, and thus receive only a supplemental benefit from NNERF, have had their supplemental benefit frozen as of December 31, 2012.

All full-time regular employees hired on or before July 1, 2009 for the School Board and March 1, 2010 for the City are members of this fund. NNERF benefits are available only to employees with five years of service. School VRS employees, who did not have five years of service when the supplemental NNERF benefits were frozen at December 31, 2012, are not eligible for a supplemental benefit from NNERF. Employees hired after the above dates are in VRS, an agent multiple-employer defined benefit plan as discussed in note 7 (b). For the years ended June 30, 2023 and 2022, the total payroll of the School Board was approximately \$249.7 million and \$24.6 million, respectively, with approximately \$82.1 million and \$86.4 million covered by NNERF, respectively.

At June 30, 2023, NNERF membership consisted of:

Vested				
	Retirees and Beneficiaries	Terminated or Frozen Employees	Active Employees Vested	Total
			<del></del>	
City general	1,679	585	462	2,726
City police and fire	1,152	236	378	1,766
Public utilities	358	73	122	553
School VRS	2,814	2,387	-	5,201
School Non-VRS	979	226	229	1,434
Total	6,982	3,507	1,191	11,680

Notes to Basic Financial Statements
June 30, 2023

## (7) Defined Benefit Retirement Plans (Continued)

NNERF provides retirement benefits as well as death and disability benefits. All benefits vest after five years of credited service. Employees who retire at or after age 60 (50 for police officers, firefighters, and deputy sheriffs) with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation (AFC) for each year of credited service accumulated to February 28, 2010, 1.85% from March 1, 2010 through December 31, 2012 and 1.65% for each year of credited service after January 1, 2013. (For public safety, employees the multiplier remains at 1.85% for time worked after January 1, 2013). AFC is defined as the average rate of salary received during the highest paid 36 consecutive months of credited service. Employees with 30 years (25 for police officers, firefighters, and deputy sheriffs) credited service may retire at any age with full benefits. Employees (other than police officers, firefighters, and deputy sheriffs) with 25 years of service may retire prior to age 60 and receive a reduced benefit. Members began contributing to the Pension Fund as of January 1, 2013 for City employees and July 1, 2013 for School employees. City employees in NNERF began to contribute 5% of their salary to the Plan as of January 1, 2013. School employees began contributing 2% of their pay effective July 1, 2013, and effective July 1, 2014 contribute 5% of pay.

Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

Employees with at least five years of credited service are eligible to purchase all or part of certain prior service credits, subject to Internal Revenue Service limits. The types of prior service eligible include time employed under other government programs and military service.

#### 2. Contributions

Effective January 1, 2013, employee contributions to the Plan were made mandatory. The Plan engages an actuary to determine the Actuarially Determined Contribution (ADC). The City's policy is to make 100% of the contributions of the ADC, in accordance with the funding program established by the City in 2010. Contributions totaling \$7,938,184 and \$570,684 were made by the employer and employees, respectively, to NNERF during the year ended June 30, 2023. The percentage of contributions to covered payroll for fiscal year 2023 was 9.66% and 8.97% for fiscal year 2022. The percentage of normal costs to covered payroll was 8.69% for fiscal year ended June 30, 2023 and 8.04% for fiscal year ended June 30, 2022.

Notes to Basic Financial Statements
June 30, 2023

### (7) Defined Benefit Retirement Plans (Continued)

## 3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School Board reported a liability of \$90,816,955 for its proportionate share of the Net Pension Liability, measurements as of the reporting date are based on the fair value of assets as of June 30, 2022 and the Total Pension Liability (TPL) as of the valuation date, June 30, 2021, updated to June 30, 2022. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 20.7275% as compared to 20.8617% at June 30, 2021.

For the year ended June 30, 2022, the School Board recognized pension expense of \$7,860,112.

At June 30, 2023, the School Board reported deferred outflows of resources related to NNERF pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 11,454,708	\$ -
Contributions to the plan subsequent to the measurement date	7,938,184	<u>-</u>
Total	\$ 19,392,892	\$ -

\$7,938,184 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2024.

Notes to Basic Financial Statements

June 30, 2023

## (7) Defined Benefit Retirement Plans (Continued)

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	De fe rre d
Year Ending June 30	Inflows
2024	\$ 2,999,893
2025	1,681,108
2026	(1,057,728)
2027	7,831,435
2028	-
Thereafter	
	\$ 11,454,708

### 4. Actuarial Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Closed, 30 years level dollar from July 1, 2011
Remaining amortization period	18 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.0%
Rate of salary increases:	4.5%
Cost of living adjustment	1.225%
Inflation	2.50%
Rate of Mortality	RP-2014 Total Dataset Headcount-Weighted Healthy
	Annuitant Mortality Table, projected from 2006 base
	rates using MP2016

Notes to Basic Financial Statements
June 30, 2023

## (7) Defined Benefit Retirement Plans (Continued)

The long-term expected rate of return on NNERF investments was determined using bestestimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation), developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023 are summarized in the following table:

	Long-Term Expected	Target
Asset Class	Real Rate of Return	Allocation
Large Cap Equities	6.1%	27.0%
Mid Cap Equities	6.4%	9.0%
Small Cap Equities	6.7%	2.0%
International Equities	7.2%	11.0%
Emerging Markets	7.4%	7.0%
Real Estate	5.2%	7.0%
Private Equities	8.4%	9.0%
Natural resources	7.2%	2.5%
Infrastructure	5.7%	2.5%
Fixed Income (Bonds)	2.1%	11.0%
TIPS	1.9%	3.0%
Short term fixed income	0.9%	8.0%
Cash	0.3%	1.0%
Total		100.0%

#### 5. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the School Board, calculated using the discount rate of 7.00%, as well as what the School Board's net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.00%) or 1% point higher (8.00%) than the current rate:

	1.00%	Current	1.00%
	Lower	<b>Discount Rate</b>	Higher
	6.00%	7.00%	8.00%
Proportionate share of the			
NNERF Net Pension Liability	\$122,001,909	\$90,816,955	\$64,359,870

#### 6. Pension Plan Fiduciary Net Position

NNERF is a separate pension trust fund and is considered part of the City's financial reporting entity. NNERF issues a publicly available financial report that includes financial statements and required information for NNERF. That report may be obtained by writing to NNERF, 2400 Washington Avenue, Newport News, VA 23607.

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

### (b) Virginia Retirement System:

### 1. Plan Description

All full-time, salaried permanent (professional) employees of the School Board are automatically covered by the VRS Teacher Retirement Plan, a multiple-employer cost-sharing plan, upon employment. All full-time, salaried, permanent (nonprofessional) employees of the School Board are automatically covered by the VRS Retirement Plan, an agent multiple-employer plan, upon employment. Both plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table on the following pages.

VRS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report obtained from the VRS website at <a href="https://www.varetire.org/pdf/publications/2022-annual-report.pdf">https://www.varetire.org/pdf/publications/2022-annual-report.pdf</a> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Notes to Basic Financial Statements
June 30, 2023

## (7) Defined Benefit Retirement Plans (Continued)

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Plan 1 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.	Plan 2 is a defined benefit plan. The retirement benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.  • The defined benefit is based upon a member's age, service credit, and average final compensation at retirement using a formula.
		• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
		• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013 and they have not taken a refund.	Eligible Members Employees are in Plan 2 if their membership date is from July 1, 2010, to December 31,2013, and they have not taken a refund. Members are covered under Plan 2 if they have a membership date prior to July 1, 2010, and they were	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014.

VDC DI AN 1	VDC DI AN 2	HYBRID
VRS PLAN 1	VRS PLAN 2	RETIREMENT PLAN
Hybrid Opt-In Election VRS non-hazardous duty- covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.  The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.  If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.  Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	not vested before January 1, 2013.  Hybrid Opt-In Election Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.  The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.  If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	This includes:  • School division employees  • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% as of July 1, 2014. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially	Retirement Contributions Same as VRS Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members

VRS PLAN 1	VRS PLAN 2	HYBRID
	VINDILIAN 2	RETIREMENT PLAN
determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.  Service Credit	Service Credit	may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages. Service Credit
Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Same as Plan 1.	Defined Benefit Component: Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance
		credit.  Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

VRS PLAN 1	VRS PLAN 2	HYBRID
, , , , , , , , , , , , , , , , , , , ,		RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.
		Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.
		Members are always 100% vested in the contributions that they make.
		Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<ul> <li>After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul>
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit Defined Benefit Component: See definition under Plan 1.  Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	Service Retirement Multiplier Same as Plan1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for service credit earned, purchased, or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%.  For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.  Defined Contribution Component:
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Not applicable.  Normal Retirement Age Defined Benefit Component: Same as Plan 2.  Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service equal 90.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of service credit.	Earliest Reduced Retirement Eligibility Defined Benefit Component: Age 60 with at least five years (60 months) of service credit.
		Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2.  Defined Contribution Component: Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.	Eligibility: Same as Plan 1	Eligibility: Same as Plan 1 and Plan 2.
For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after		

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.	Disability Coverage Employees of political subdivision and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members, which the School Board has elected to provide.  Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement, and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 1, with the following exceptions:  • Hybrid Retirement Plan members are ineligible for ported service.  Defined Contribution Component: Not applicable.

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

#### 2. Employees Covered by Benefit Terms – Nonprofessional

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Members receiving benefits	30
Inactive members:	
Vested inactive members	46
Non-vested inactive members	501
Inactive members active elsewhere in VRS	81
Total inactive members	628
Active Members	539
Total covered employees	1,197

#### 3. Contributions

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to the School Board by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

#### Professional

Each School Board's contractually required contribution rate for the year ended June 30, 2023 was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The contractually required rate, when combined with employee contributions, was expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board were \$29,615,953 and \$27,854,501 for the years ended June 30, 2023 and 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$442.4 million to the VRS Teacher Employee Plan. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a non-employer contribution.

#### Nonprofessional

The political subdivision's contractually required contribution rate for the year ended June 30, 2023 was 4.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. Contributions to the pension plan from the School Board were \$482,912 and \$327,523 for the years ended June 30, 2023 and 2022, respectively.

Notes to Basic Financial Statements

June 30, 2023

### (7) Defined Benefit Retirement Plans (Continued)

#### 4. Net Pension Liability (Asset)

Professional

At June 30, 2023, the School Board reported a liability of \$178,695,924 for its proportionate share of the Net Pension Liability, which was measured as of June 30, 2022 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the measurement date of June 30, 2022. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion was 1.87694% as compared to 1.90686% at June 30, 2021.

Nonprofessional

The School Board Net Pension Asset of \$2,247,906 was measured as of June 30, 2022. The total pension liability used to calculate the Net Pension Asset was determined by an actuarial valuation performed as of June 30, 2021, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

#### 5. Actuarial Assumptions

The total pension liability for the Professional and Nonprofessional Plans were based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation 2.50%

Salary increases, including Inflation 3.5%-5.95%

Investment rate of return 6.75%, net of pension plan investment expense,

including inflation

Mortality rates: 15 % of deaths are assumed to be service related.

Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected

generationally; 110% of rates for males

Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females

Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally

Mortality Improvement: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

- Update to more current mortality table PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Adjusted rates to better fit experience for Plan 1: set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted rates to better match experience at each year age and service decrement through 9 years of service

#### 6. Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return**
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Estate	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
	100.00%		5.33%
	Inflation		2.50%
* Expected arithmetic	nominal return		7.83%

<sup>\*</sup> The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.

#### 7. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

<sup>\*\*</sup> On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

#### 8. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the School Board's Professional and Nonprofessional proportionate shares of the respective net pension liability (asset) using the discount rate of 6.75%, as well as what the School Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1.00%	Current	1.00%
	Lower	Discount Rate	Higher
	5.75%	6.75%	7.75%
Professional Net Pension Liability	\$ 319,164,601	\$ 178,695,924	\$ 64,323,532
Nonprofessional Net Pension Asset	(953,685)	(2,247,906)	(3,254,685)

Changes in Net Pension Asset – Nonprofessional Plan

	Increase/(Decrease)					
	Total Pension Liability		an Fiduciary let Position	N	et Pension Asset	
Balance at June 30, 2021	\$ 6,844,872	\$	9,639,872	\$	(2,795,000)	
Changes for the Year:						
Service cost	961,988		-		961,988	
Interest	521,338		-		521,338	
Change of assumptions	-		-		-	
Difference between expected and						
actual experience	(119,832)		-		(119,832)	
Contributions employer	-		327,116		(327,116)	
Contributions employee	-		526,482		(526,482)	
Net investment income	-		(31,789)		31,789	
Benefit Payments & refunds	(166,675)		(166,675)		-	
Admininstrative expense	-		(5,651)		5,651	
Other changes	-		242		(242)	
Net Changes	1,196,819		649,725		547,094	
Balances at June 30, 2022	\$ 8,041,691	\$	10,289,597	\$	(2,247,906)	

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

### 9. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Professional

For the year ended June 30, 2023, the School Board recognized pension benefit of \$5,382,047. Since there was a change in proportionate share between measurement dates, a portion of the pension benefit was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2023, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Net difference between projected and actual		_			
earnings on pension plan investments	\$	-	\$	23,298,206	
Change in assumptions		16,847,426		-	
Change in proportion and differences between employer contributions and proportionate share		-		7,545,671	
of contributions		3,973.00		-	
Change in expected versus actual experience		-		12,321,790	
Contributions to the plan subsequent to the					
measurement date		29,615,953			
Total	\$	46,467,352	\$	43,165,667	

\$29,615,953 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed on page 57.

Notes to Basic Financial Statements
June 30, 2023

#### (7) Defined Benefit Retirement Plans (Continued)

Nonprofessional

For the year ended June 30, 2023, the School Board recognized pension expense of \$189,658. At June 30, 2023, the School Board reported deferred outflows of resources related to pensions from the following sources:

	Deferred		Deferred	
	O	<b>Outflows</b> of		nflows of
	Resources		Resources	
Differences between expected and actual experience	\$	33,113	\$	81,301
Change in assumptions		-		66,006
Net difference between projected and actual earnings				
on pension plan investments		691,642		913,178
Contributions to the plan subsequent to the				
measurement date		482,912		-
Total	\$	1,207,667	\$	1,060,485

\$482,912 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions subsequent to the measurement date will be recognized as an increase of Net Pension Asset in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as detailed below.

Year Ending June 30	School Board Professional Retirement	School Board Non-Professional Plan
2024	(9,148,228)	(163,922)
2025	(10,513,151)	(145,368)
2026	(16,539,900)	(167,537)
2027	9,887,011	141,097
2028		
	\$ (26,314,268)	\$ (335,730)

#### 10. Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report*. A copy of the 2022 VRS *Annual Comprehensive Financial Report* which may be downloaded from the VRS website at <a href="https://www.varetire.org/pdf/publications/2022-annual-report.pdf">https://www.varetire.org/pdf/publications/2022-annual-report.pdf</a> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB)

#### (a) NNPS OPEB Trust Fund

#### 1. Plan Description

In FY2000, an OPEB Trust fund was established to accumulate assets to pay for other postemployment benefits. The fund was administered by the City to provide health, dental and life insurance benefits for City and School Board pre-65 retirees. During FY2010, the School Board established a separate Trust Fund apart from the City and all assets belonging to the School Board were transferred to this new fund. The plan is a single-employer plan. Benefits and contribution provisions are established by the School Board and may be amended only by the School Board. An actuarial service is employed to advise the School Board of the contributions necessary to fund the benefits.

The School Board provides health, drug and dental insurance for their pre-65 retirees under the school's group plans. The School Board annually determines the retiree's contribution to participate in the medical plans. The total contribution is based on the active premium rates except that employees retiring after July 1, 2011 have their group premiums based upon the health claim experience of just the retiree group (adjusted to filter out large claims greater than \$75,000). The amount contributed by the School Board is based on the retiree's years of service at retirement. Retirees with 30 years of service and who retired by July 1, 2011 will pay what an active employee would pay. Retirees after that date pay higher premiums commensurate with claims experience.

Approximately 185 School Board retirees are grandfathered to participate in the City OPEB Fund's sponsored life insurance coverage paid for by the School Board. The premiums are not material. These retirees have elected supplemental coverage under the City OPEB fund.

The specific information about the NNPS OPEB is set out below:

**Eligibility** - All are eligible to retire at age 60 with at least 5 years of service or 30 years of service in order to receive coverage retirees must have at least 15 years of credited service (10 years before August 1, 2011) with the School Board.

#### **Benefits**

Pre-Medicare eligibility:

- Employees hired after July 1, 2009 receive no subsidy. Employees hired prior to July 1, 2009 are entitled to a subsidy based on service with the School Board as shown below of \$5.855.
- For employees retired between July 1, 2011 and July 31, 2014, the School Board contribution may continue to cover spouse and dependents until retiree is Medicare-eligible.
- For employees retiring after August 1, 2014, the Board contributions will be based on employee only coverage but the retiree may still enroll spouse and dependents in the non-Medicare plan.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

After-Medicare eligibility:

- Retire and become Medicare-eligible between July 1, 2011 and July 1, 2014, retain the Non-Medicare Board contribution percentage applied to the retiree for the duration of their retirement.
- Retire and become Medicare-eligible between July 1, 2014 and June 30, 2024, receive a flat \$4.00 per month times service to a maximum of 30 years for the duration of their retirement.
- Retire and become Medicare eligible after June 30, 2024 receive no School Board contribution but have access to the medical plans.

As of the July 1, 2022 actuarial valuation, the following employees were covered by the benefit terms of the NNPS OPEB plan:

Number of Participants	Total
Active	965
Retired	2,016
Total Participants	2,981

The OPEB Trust Fund does not issue a separate report.

#### 2. Contributions Required and Contributions Made

OPEB funding policy provides for periodic employer contributions at actuarially determined rates that express, as percentages of annual covered payroll, contributions sufficient to accumulate sufficient assets to pay benefits when due. A level percentage of payroll with a 25-year amortization period is used for purposes of computing the minimum accrual in accordance with GAAP. The projected unit credit method is used for cost calculations. Contributions to the OPEB plan from the School Board were \$5,259,673 and \$5,441,561 for the years ended June 30, 2023 and 2022, respectively.

#### 3. Net NNPS OPEB liability

The school division's net NNPS OPEB liability of \$44,736,644 was measured as of June 30, 2023. The total NNPS OPEB liability was determined by an actuarial valuation performed as of July 1, 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 4. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date July 1, 2022

Actuarial cost method Entry Age Normal

Amortization method Level Dollar Closed

Amortization period 18 years

Asset valuation method Market Value

Actuarial assumptions:

Investment rate of return 7.00% net of investment expense and including inflation

at 2.75%

Projected salary increases Not Applicable

Healthcare inflation rate 6.00% initially, grading down to 4.25%/4.00% ultimate;

3.50% for dental benefits, and 4.00% for Medicare (all

including inflation)

Inflation Rate 2.75%

Mortality Rate Public 2010 Teachers Headcount mortality table (male

and female) for Active Employees/Healthy Annuitants

Generational with Projection Scale SSA18

Investment gains and losses for each year, beginning with FY2018, will be recognized over five years. Demographic gains and losses as well as assumption changes will be recognized over the average remaining working lifetimes of all plan participants, which could vary from year to year. In general, any impact of any plan changes will be recognized immediately.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 5. Long-Term Expected Rate of Return

The long-term expected rate of return on NNPS OPEB plan investments was determined using a building-block method in which best estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of real rates of return for each major asset class included in the OPEB's plan target asset allocation as of June 30, 2023, and the final investment return assumption, are summarized in the following table:

Lang Town

	Long-Term Expected Real	
	Return-	
Asset Class	Portfolio	Weight
Domestic Equity	6.25%	36.00%
International Funds	6.50%	18.00%
U.S. Fixed Income	2.05%	21.00%
Hedge Funds	3.00%	10.00%
Real Estate	4.85%	7.00%
Private Equity	8.15%	5.00%
Commodities	3.25%	3.00%
	=	100.00%
Total Weighted Average Expected Real Return	5.00%	
Plus Inflation	2.75%	
Total Return without Adjustment	7.75%	
Risk Adjustment	-0.75%	
Total Geometric Expected Return	7.00%	

#### 6. Discount Rate

The discount rate used to measure the total NNPS OPEB liability is 6.58%. The School's funding expectations/policy is to contribute amounts annually to the NNPS OPEB trust to pay benefits for retirees, and allow the assets in the fund to accumulate earnings. The School Board expects benefits will be paid from the trust when a 70% funding level is reached. Based on this information, the School Board projects that benefits will be financed on a pay-as-you-go basis until 2029, then from the trust there forward. Therefore, the expected trust return of 7.00% is blended with the 20-year Aaa bond rate of 3.87%. (Source: Fidelity general obligation municipal bond index).

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 7. Changes in Net NNPS OPEB Liability

	Increase/(Decrease)					
	Total OPEB Liability		Plan Fiduciary		Net OPEB	
			N	Net Position	Liability	
Balance at July 1, 2022	\$	79,793,530	\$	32,057,519	\$ 47,736,011	
Changes for the Year:						
Service cost		67,909		-	67,909	
Interest		5,045,939		=	5,045,939	
Change in assumptions		3,483,142		=	3,483,142	
Difference between expected and actual experience		(3,923,415)		-	(3,923,415)	
Contributions employer		-		5,259,673	(5,259,673)	
Contributions employee		-		921,235	(921,235)	
Net investment income		-		2,443,081	(2,443,081)	
Benefit payments		(5,259,673)		(6,180,908)	921,235	
Admininstrative expense		-		(29,812)	29,812	
Net Changes		(586,098)		2,413,269	(2,999,367)	
Balances at June 30, 2023	\$	79,207,432	\$	34,470,788	\$ 44,736,644	

#### 8. Sensitivity of the Net NNPS OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plans, calculated using the discount rate of 6.58%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Lower 5.58%		Current Discount Rate 6.58%			1.00% Higher 7.58%		
Net OPEB Liability	\$	52,824,896	\$	44,736,644	\$	37,840,501		
Ratio of Plan Net Position to Total OPEB Liability		39.5%		43.5%		47.7%		

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 9. Sensitivity of the net OPEB liability to changes in the healthcare trend rate

The following presents the net OPEB liability of the plans, calculated using the healthcare trend rate of from 6.00% to an ultimate rate of 4.25%, as well as what each plan's net OPEB liability would be if it were calculated using trend rates for each year that are 1.00% lower or 1.00% higher than the current rates:

	1.00% Lower 3.25%	Current Ultimate Trend Rate 4.25%	1.00% Higher 5.25%		
Total OPEB Liability	\$ 37,960,300	\$ 44,736,644	\$ 52,581,410		
Ratio of Plan Net Position to Total OPEB Liability	47.6%	43.5%	39.6%		

### 10. NNPS OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to NNPS OPEB

For the year ended June 30, 2023, the school division recognized NNPS OPEB benefit of (\$689,489). At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the NNPS OPEB from the following sources:

	Deferred			Deferred	
	Outflows			Inflows	
	of	Resources	of Resource		
Differences between expected and actual experience	\$	-	\$	(2,615,610)	
Change in assumptions		2,322,095		(233,481)	
Net difference between projected and actual earnings		979,674		<u>-</u>	
Total	\$	3,301,769	\$	(2,849,091)	

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in the OPEB expense in future reporting periods as follows:

	]	Deferred
Year Ended June 30		(Inflows)
2024		(319,822)
2025		(294,554)
2026		1,107,044
2027		(39,990)
	\$	452,678

#### (b) OPEB VRS Teacher Employee Health Insurance Credit

The VRS Teacher Employee Health Insurance Credit (HIC) Program is a multiple-employer, cost-sharing plan. The Teacher Employee HIC Program was established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee HIC Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC Program OPEB, and the Teacher Employee HIC Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee HIC Program; and the additions to/deductions from the VRS Teacher Employee HIC Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 1. Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time, permanent (professional), salaried employees of public school divisions covered under VRS.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

The Teacher Employee Retiree HIC Program provides the following benefits for eligible employees:

At Retirement – For teachers and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.

Disability Retirement – For teachers and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:

- \$4.00 per month, multiplied by twice the amount of service credit, or
- \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the HIC as a retiree.

#### 2. Contributions Required and Contributions Made

The contribution requirement for active employees is governed by §51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2023 was 1.21% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the School Board to the VRS Teacher Employee HIC Program were \$2,254,877 and \$2,105,968 for the years ended June 30, 2023 and 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$12 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act, and is classified as a nonemployer contribution.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

# 3. Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee HIC Program OPEB

At June 30, 2023, the School Board reported a liability of \$23,326,818 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2022 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the School Board's proportion of the VRS Teacher Employee HIC Program was 1.86757% as compared to 1.90055% at June 30, 2021.

For the year ended June 30, 2023, the School Board recognized VRS Teacher Employee HIC Program OPEB expense of \$1,554,153. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Net difference between projected and actual earnings				
on VRS Teacher HIC OPEB plan investments	\$	-	\$	23,414
Change in assumptions		681,495		59,569
Change in proportionate share				1,217,426
Difference between expected and actual experience		-		950,838
Contributions to the plan subsequent to the				
measurement date		2,254,877		_
Total	\$	2,936,372	\$	2,251,247

\$2,254,877 reported as deferred outflows of resources related to HIC OPEB resulting from the School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the year ending June 30, 2024.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Defe	rred Inflows
2024		(381,272)
2025		(359,124)
2026		(311,703)
2027		(187,953)
2028		(176,803)
Thereafter		(152,897)
	\$	(1,569,752)

#### 4. Actuarial Methods and Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation – Teacher Employees	3.5% – 5.95%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

#### **Mortality Rates – Teachers**

Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally, 110% of rates for males.

Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally, males set forward 1 year, 105% of rates for females.

Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally, 110% of rates for males and females.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020. Except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, changes to the actuarial assumptions as a result of the experience study are as follows:

- Update to more current mortality table PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted rates to better fit experience for Plan 1: set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted rates to better match experience at each year age and service decrement through 9 years of service.

#### 5. Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2021, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	-	<b>Feacher</b>
	Employee	
	HIC	<b>OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$	1,470,891
Plan Fiduciary Net Position		221,845
Employers' Net HIC OPEB Liability	\$	1,249,046
Plan Fiduciary Net Position as a Percentage		
of the Total Teacher Employee HIC OPEB Liability	7	15.08%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 6. Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

		Arithmetic Long-Term	Weighted Average
	Target	Expected	Long-Term
Asset Class	Allocation	Rate of Return	Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equities	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
	*Expected arith	nmetic nominal return	7.83%

<sup>\*</sup> The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 7. Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2022, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2022 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

#### 8. Sensitivity of the Teacher Employee HIC Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

C-----

		Current			
1.00%		Discount		1.00%	
Lower		Rate		Higher	
5.75%		6.75%		7.75%	
\$ 26,289,592	\$	23,326,818	\$	20,815,350	
\$	Lower	Lower 5.75%	Lower Rate 5.75% 6.75%	1.00% Discount Lower Rate 5.75% 6.75%	1.00%       Discount       1.00%         Lower       Rate       Higher         5.75%       6.75%       7.75%

#### 9. Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Comprehensive Financial Report. A copy of the 2022 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at <a href="https://www.varetire.org/pdf/publications/2022-annual-report.pdf">https://www.varetire.org/pdf/publications/2022-annual-report.pdf</a> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### (c) Virginia Retirement System Group Life Insurance Program

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI program OPEB and the additions to/deductions from the VRS GLI Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### 1. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OBEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

**Eligible Employees:** The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. The specific information for GLI Program OPEB, including eligibility, coverage, and benefits is set out below:

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

**Benefit Amounts:** The benefits payable under the GLI Program have several components.

- <u>Natural Death Benefit</u> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Safety belt benefit
  - o Repatriation benefit
  - o Felonious assault benefit
  - o Accelerated death benefit option

**Reduction in Benefit Amounts:** The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA): For covered members with at least 30 years of service credit, there is a minimum benefit payable under the GLI Program. The minimum benefit was set at \$8,000 by statute. This amount will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit was increased to \$8,984 effective June 30, 2023.

#### 2. Contributions

The contribution requirements for the GLI Program are governed by Section 51.1-506 and Section 51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. The School Board has elected to pay all of the employee contribution therefore those contributions are classified as employer contributions. Each employer's contractually required employer contribution rate for the year ended June 30, 2023 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions, including both employer and employee contributions, to the GLI Program from the School Board were \$1,014,082 and \$946,931 for Professionals and were \$97,681 and \$69,387 for Non-professionals for the years ended June 30, 2023 and 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

# 3. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, the School Board reported a liability of \$9,706,823 and \$711,260 for its proportionate share of the Professional and Non-professional Net GLI OPEB Liability, respectively. The Net GLI OPEB Liability was measured as of June 30, 2022 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2022 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the School Board's proportion was 0.80615% as compared to 0.84551% for Professionals and 0.05907% as compared 0.56960% for Non-professionals for the years ended June 30, 2022 and 2021, respectively.

For the year ended June 30, 2023, the School Board recognized GLI OPEB expense of \$153,073 and \$80,362 for Professionals and Non-professionals, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2023, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

#### **Professional**

	 rred Outflows Resources	erred Inflows Resources
Change in assumptions	 362,049	945,484
Change in proportionate share	17,132	479,628
Investment Experience	-	606,534
Difference between expected and actual experience	768,658	389,414
Contributions to the plan subsequent to the		
measurement date	 2,515,417	-
	\$ 3,663,256	\$ 2,421,060

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### Non-professional

	 red Outflows Resources	 rred Inflows Resources
Change in assumptions	\$ 26,529	\$ 69,280
Change in proportionate share	90,087	1,870
Investment Experience	=	44,443
Difference between expected and actual experience	56,323	28,534
Contributions to the plan subsequent to the		
measurement date	 242,112	-
	\$ 415,051	\$ 144,127

\$2,515,417 for Professionals and \$242,112 for Non-professionals reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Professional Deferred (Inflows) and Outflows	Non-Professional Deferred (Inflows) and Outflows
(325,075)	36,281
(287,712)	15,052
(589,423)	(26,545)
29,662	7,458
(100,673)	(3,434)
\$ (1,273,221)	\$ 28,812
	Deferred (Inflows) and Outflows (325,075) (287,712) (589,423) 29,662 (100,673)

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 4. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation 2.50%

Salary increases, including inflation –

Professional 3.5%–5.95% Non-Professional 3.5%–5.35%

Investment rate of return 6.75%, net of plan investment expenses,

including inflation\*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

#### Mortality rates – Professional

Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally, 110 % of rates for males.

Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally, 110% of rates for males and females.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2016 through June 30, 2020. Except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality Rates: Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed retirement age from 75 to 80 for all.
- Withdrawal Rates: Adjusted rates to better fit experience at each age and service year decrement through 9 years of service

#### Mortality rates – Non-Largest Ten Locality Employers – Non-professional

Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally, 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally, 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except for the change in discount rate, which was based on VRS board action effective as of July 1, 2019, changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality Rates: Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
- Retirement Rates: Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed retirement age from 75 to 80 for all.
- Withdrawal Rates: Adjusted rates to better fit experience at each age and service year decrement through 9 years of service

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 5. Net GLI OPEB Liability

The NOL for the GLI Program represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the GLI Program is as follows (amounts expressed in thousands):

	Group Lif Insurance OPEB	
		Program
Total GLI OPEB Liability	\$	3,672,085
Plan Fiduciary Net Position		2,467,989
Employers' Net GLI OPEB Liability	\$	1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		67.21%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GAAP in the System's notes to the financial statements and required supplementary information.

#### 6. Long-Term Expected Rate of Return

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equities	14.00%	9.73%	1.36%
MAPS-Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
	<b>4</b> F . 1 .1	Inflation	2.50%
	*Expected arithm	netic nominal return	7.83%

<sup>\*</sup> The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 7. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2022, the rate contributed by the school division for the GLI OPEB will be subject to the portion of the VRS board-certified rates that are funded by the Virginia General Assembly. From July 1, 2022 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

### 8. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

#### **Professional**

	1.00% Lower 5.75%	Current Discount Rate 6.75%	 1.00% Higher 7.75%
School Board professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 14,124,564	\$ 9,706,823	\$ 6,136,684
Non-professional			
	1.00% Lower 5.75%	Current Discount Rate 6.75%	1.00% Higher 7.75%
School Board non-professional group's proportionate share of the GLI Program Net OPEB Liability	\$ 1,034,966	\$ 711,260	\$ 449,661

Notes to Basic Financial Statements
June 30, 2023

#### (8) Other Postemployment Benefits (OPEB) (Continued)

#### 9. Group Life Insurance Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2021 Annual Comprehensive Financial Report. A copy of the 2021 VRS Annual Comprehensive Financial Report may be downloaded from the VRS website at <a href="https://www.varetire.org/pdf/publications/2022-annual-report.pdf">https://www.varetire.org/pdf/publications/2022-annual-report.pdf</a> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### (9) Total Pension and OPEB Assets, Liabilities, Deferred Outflows and Inflows of Resources

Total Pension and OPEB Assets and Liabilities:

		Professional Non-Professional			Trust	Health Income	Group Life	
	NNERF	Plan	Plan		Fund	Credit	Insurance	Total
Pension asset	\$ -	\$ -	\$	2,247,906	\$ -	\$ -	\$ -	\$ 2,247,906
Pension liability	(90,816,955)	(178,695,924)		-	-	-	-	(269,512,879)
OPEB liability				-	(44,736,644)	(23,326,818)	(10,418,083)	(78,481,545)
Total	\$ (90,816,955)	\$ (178,695,924)	\$	2,247,906	\$ (44,736,644)	\$ (23,326,818)	\$ (10,418,083)	\$ (345,746,518)

#### Total Pension and OPEB Deferred Outflows of Resources:

	NNERF	VRS Professional Plan		Non	VRS -Professional Plan	Ol	PEB NNPS Trust Fund	He	PEB VRS alth Income Credit	C	PEB VRS Group Life Insurance	Total
Differences between expected and actual experience	\$ -	\$	-	\$	33,113	\$	-	\$	-	\$	824,981	\$ 858,094
Change in assumptions	-		16,847,426		-		2,322,095		681,495		388,578	20,239,594
Change in proportion and differences between												
employer contributions and proportionate share												
of contributions	-		3,973		-		-		-		107,219	111,192
Net difference between projected and actual earnings												
on pension plan investments	11,454,708		-		691,642		979,674		-		-	13,126,024
Contributions to the plan subsequent to the												
measurement date	7,938,184		29,615,953		482,912		_		2,254,877		2,757,529	 43,049,455
Total	\$ 19,392,892	\$	46,467,352	\$	1,207,667	\$	3,301,769	\$	2,936,372	\$	4,078,307	\$ 77,384,359

#### Total Pension and OPEB Deferred Inflows of Resources:

			VRS		VRS			PEB NNPS	o	PEB VRS	o	PEB VRS	
			Professional		Non-	Professional		Trust	He	alth Income	G	Froup Life	
	NNER	F	Plan			Plan		Fund		Credit	I	nsurance	Total
Differences between expected and actual experience	\$	-	\$	12,321,790	\$	81,301	\$	2,615,610	\$	950,838	\$	417,948	\$ 16,387,487
Change in assumptions		-		-		66,006		233,481		59,569		1,014,764	1,373,820
Change in proportion and differences between													
employer contributions and proportionate share													
of contributions		-		7,545,671		-		-		1,217,426		481,498	9,244,595
Net difference between projected and actual earnings													
on pension plan investments		-		23,298,206		913,178		-		23,414		650,977	24,885,775
Contributions to the plan subsequent to the													
measurement date		-		-		-		-		-		-	 
Total	\$	-	\$	43,165,667	\$	1,060,485	\$	2,849,091	\$	2,251,247	\$	2,565,187	\$ 51,891,677

Notes to Basic Financial Statements
June 30, 2023

#### (10) Self-Insurance

#### (a) Medical Benefits

The School Board is self-insured for its medical benefits through funding from the General Fund for employees up to \$250,000 per employee per year effective January 1, 2023. Claims in excess of the limitation are covered by third party insurance. Expenditures for "premiums" are charged to the fund to which the employees' payroll expenditure is charged at amounts that approximate what third party insurers would have charged. The insurance coverage is substantially the same as in prior fiscal years.

Claims processing and payments for the medical claims are made through a third party administrator. The School Board uses the information provided by the third party administrator to aid in the determination of self-insurance liabilities. Amounts due in future years on claims as of June 30, 2023 are recognized as a long-term liability due within one year in the Statement of Net Position.

Changes in the incurred but not reported amount during the fiscal years ended June 30, 2023 and 2022 were as follows:

	 2023	2022
Claims payable at beginning of year	\$ 2,431,000	\$ 2,754,000
Claims and changes in estimates	31,554,070	30,034,707
Claim payments	 (31,188,070)	 (30,357,707)
Claims payable at end of year	\$ 2,797,000	\$ 2,431,000

#### (b) Workers' Compensation

The School Board self-insures for workers' compensation through funding from the Workers' Compensation Special Revenue Fund. Expenditures are charged to the various departments at amounts that approximate what third party insurers would have charged. Amounts due in future years on claims made as of June 30, 2023 are accounted for as long-term liabilities. These long-term liabilities include an estimate of claims that have been incurred but not reported. The following is a reconciliation of changes in workers' compensation claims payable for years ended June 30, 2023 and 2022:

	 2023	2022
Claims payable at beginning of year	\$ 5,721,288	\$ 6,061,622
Claims and changes in estimates	671,368	889,054
Claim payments	 (1,429,982)	(1,229,388)
Claims payable at end of year	\$ 4,962,674	\$ 5,721,288

#### (c) Other

The School Board insures for property losses with self-insured retention per occurrence of \$50,000 for basic and earthquakes and \$5,000 for floods and in-land marine. The School Board is self-insured for liability losses resulting from vehicular accidents of up to \$1,000,000 in conjunction with a fund established by the City of Newport News. Claims in excess of the self-insured retention limitation are covered by third party insurance.

Included in the fund balance of the General Fund and the Workers' Compensation Fund of the School Board are assigned and restricted fund balances related to self-insurance activities.

Notes to Basic Financial Statements
June 30, 2023

#### (11) Contingent Liabilities

#### (a) Litigation

The School Board is involved in several lawsuits arising in the ordinary course of operations. On January 6, 2023, there was an incident at Richneck Elementary School involving a shooting. At this time there is no estimate of the damages, and the case is in active litigation. As such there is no liability to record as of year-end. It is the opinion of School Board management, based on the advice of the School Board attorney, that any losses incurred as a result of claims existing as of June 30, 2023 will not be material to the financial statements.

#### (b) Grants

The School Board received grant funds, principally from the Commonwealth and federal government, for instructional and various other programs. Expenditures from these grants are subject to audit by the grantor, and the School Board is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the management of the School Board, any refunds that may be required as a result of expenditures disallowed by the grantors will not be material to the financial statements.

#### (c) COVID-19

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the School Board's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time. Enrollment for the school year starting September 2021 was lower than expected, likely due in part to COVD-19. Our state revenue for FY2023 is largely driven by enrollment and should see a corresponding decline.

#### (12) Related Organizations

Not included in the School Board's financial statements are certain Parent-Teacher Associations (PTAs), Parent-Teacher-Student Associations (PTSAs) and athletic and band booster clubs. These organizations provide services to students and employees of the School Board, but are separate legal entities having sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the School Board. The School Board does not account for these entities as component units or joint ventures as these entities are not material to the School Board, it does not maintain an ongoing financial interest or have responsibility for these entities.

Notes to Basic Financial Statements
June 30, 2023

#### (13) Related Party Transaction

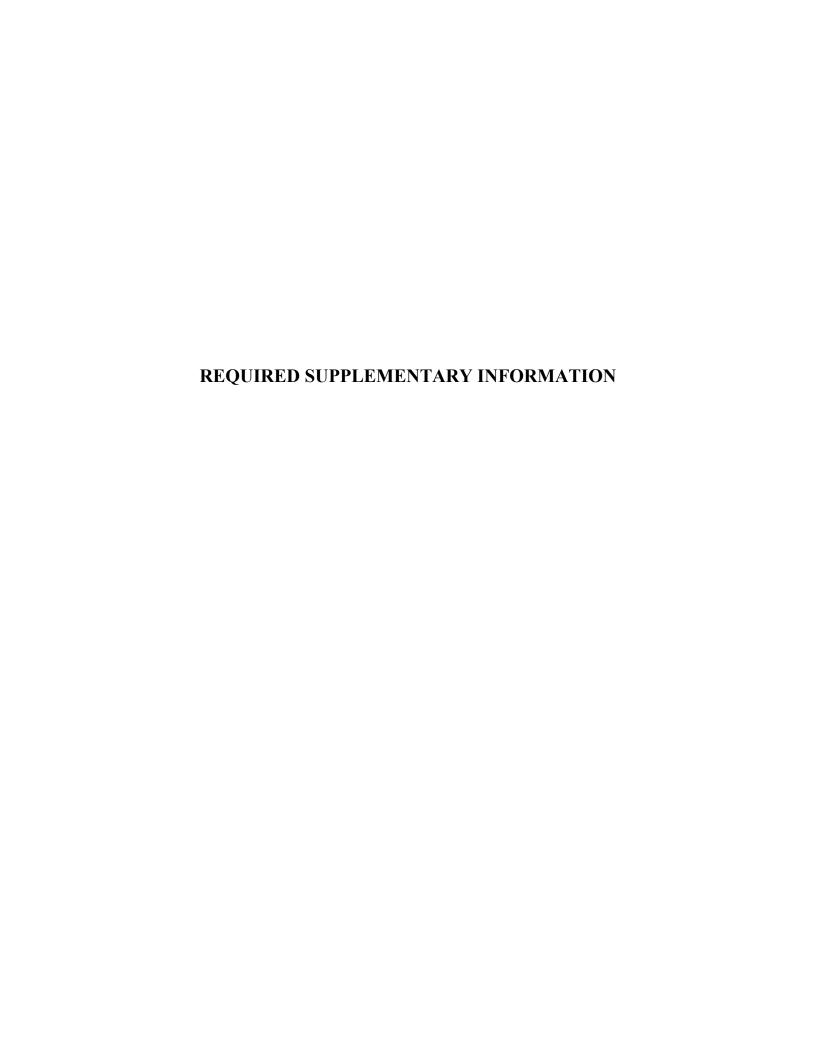
The School Board operates by authority of the charter of the City, which provides annual appropriations to the School Board for operating the school system and is obligated for all bonded indebtedness issued to benefit the School Board. The City is also the custodian of the majority of the School Board's cash and temporary investments and also provides a defined benefit pension plan to employees hired before July 1, 2009. The City provides services to the School Board, primarily 800-megahertz radio repairs, services related to the vehicle self-insurance program, Police Department security at School Board athletic events, and Parks & Recreation children's summer program services, through the City's General Fund. The School Board is charged based on established fee schedules or a shared cost formula. The total value of the services provided by the City and reimbursed by the School Board during the year ended June 30, 2023 was \$372,118. The School Board provides fiber WAN services, fiber WAN installation, buses for certain City field trips, and shared costs of a School Board building that houses City programs to the City during the year ended June 30, 2023 at charges of \$96,791. Amounts due to and due from the City for services are negligible and are generally settled on a monthly basis. The City provides school police resource officers at no charge to the School Board. The City Parks & Recreation Department provides services to children and citizens after regular school hours in School Board buildings at no rental charge to the City.

At June 30, 2023, the City owed the School Board \$3,777,716 for capital projects funding.

The School Board has agreed to provide the City with annual payments of \$455,000 for the next five years as cost sharing for the operation of An Achievable Dream Middle and High School.

#### (14) Subsequent Events

The School Board has evaluated subsequent events (events occurring after June 30, 2023 through the date of the Report of Independent Auditor) in the preparation of these financial statements. There were no events subsequent to year-end requiring disclosure.



Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2023

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)

	Original Budget	Amended Budget	Actual	Variance		
Revenues:						
Intergovernmental:						
Commonwealth of Virginia:						
Standards of Quality funds	\$ 175,184,120	\$ 175,184,120	\$ 170,739,740	\$ (4,444,380)		
Incentive funds	37,391,108	37,391,108	35,938,181	(1,452,927)		
Categorical funds	67,723	67,723	121,250	53,527		
Lottery funded programs	23,007,832	23,007,832	25,551,324	2,543,492		
Other state agencies	5,000	5,000	11,956	6,956		
City of Newport News	116,189,307	116,189,307	116,189,307	-		
Federal government	3,108,980	3,108,980	2,972,451	(136,529)		
Charges for services	2,483,753	8,766,934	11,922,544	3,155,610		
Total revenues	357,437,823	363,721,004	363,446,753	(274,251)		
Expenditures:						
Instructional services:						
Classroominstruction	143,779,858	133,019,604	133,016,474	3,130		
Office of the principal	22,175,426	25,568,364	26,523,858	(955,494)		
Special education	43,600,987	42,237,747	39,898,520	2,339,227		
Career and technical	9,565,458	9,153,869	8,858,793	295,076		
Talented and gifted	5,352,755	4,363,174	4,119,687	243,487		
Summer school	959,236	1,026,069	592,307	433,762		
Adult Education	199,542	199,542	200,016	(474)		
Athletics/Drivers' Education	2,967,132	5,300,458	5,485,855	(185,397)		
Pre school	5,999,566	5,539,399	4,967,234	572,165		
Guidance and counseling	9,848,614	9,823,614	9,659,343	164,271		
Improvement of instruction - staff	7,084,152	7,560,880	7,687,225	(126,345)		
Media services	6,129,039	6,040,881	5,633,470	407,411		
School social workers	2,309,377	2,306,679	1,725,618	581,061		
Homebound	364,681	364,681	666,095	(301,414)		
Total academic services	260,335,823	252,504,961	249,034,495	3,470,466		
Attendance and health services:						
Psychological services	1,683,835	2,063,835	1,859,432	204,403		
Attendance	1,400,726	1,291,686	1,193,832	97,854		
Health services	4,779,129	5,212,504	5,392,978	(180,474)		
Total attendance and health services	7,863,690	8,568,025	8,446,242	121,783		
Transportation services:						
Transportation administration	2,320,741	2,520,741	2,533,739	(12,998)		
Vehicle operation services	17,305,187	15,505,187	15,923,240	(418,053)		
Monitoring services	2,411,835	2,711,834	2,969,501	(257,667)		
Vehicle maintenance services	2,350,026	2,354,159	2,404,814	(50,655)		
Total transportation services	24,387,789	23,091,921	23,831,294	(739,373)		

Required Supplementary Information (Unaudited)

General Fund Year Ended June 30, 2023

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) (continued)

	 Original Budget	Amended Budget	 Actual	 Variance
Operations and Facilities:				
Security	\$ 3,627,701	\$ 5,179,221	\$ 6,074,015	\$ (894,794)
Warehouse	349,820	349,820	370,105	(20,285)
Building Additions & Improvements	-	5,662,182	2,400,688	3,261,494
Operations	991,509	1,052,735	1,000,351	52,384
Grounds services	1,368,038	1,368,038	1,371,791	(3,753)
Building services	29,652,919	33,430,757	32,691,140	739,617
Equipment services	3,500	3,500	-	3,500
Vehicle operation services	286,673	333,730	402,073	(68,343)
Child nutrition services	 	 420,000	 	 420,000
Total operations and facilities	 36,280,160	 47,799,983	 44,310,163	3,489,820
Technology services:				
Technology - classroom instruction	91,000	94,264	79,513	14,751
Technology - instructional support	8,778,919	8,591,880	7,418,760	1,173,120
Information technology	5,115,143	5,753,611	5,322,892	430,719
Technology - operations & maintenance	 977,427	 2,855,847	 2,653,869	 201,978
Total technology services	14,962,489	 17,295,602	 15,475,034	1,820,568
Administration:				
Information services	1,902,448	1,938,064	1,777,276	160,788
School Board	718,897	265,574	305,359	(39,785)
Superintendent's office	1,887,276	2,029,275	2,608,421	(579,146)
Human resources	3,837,444	4,406,233	3,785,675	620,558
Accountability	1,429,893	1,541,655	1,642,206	(100,551)
Business	2,158,857	2,324,176	3,372,808	(1,048,632)
Purchasing	634,994	912,994	870,918	42,076
Print shop	 4,833	 4,833	 34,528	 (29,695)
Total administration	12,574,642	 13,422,804	 14,397,191	(974,387)
Total expenditures	 356,404,593	 362,683,296	 355,494,419	 7,188,877
Other financing uses:				
Transfer to City of Newport News – debt service	 1,033,230	1,033,230	 1,033,230	
Total other financing uses	 1,033,230	1,033,230	1,033,230	
Total expenditures and other financing uses	 357,437,823	363,716,526	 356,527,649	7,188,877
Net change in fund balances	-	-	6,919,104	6,914,626
Fund balance at beginning of year	36,047,678	36,047,678	36,047,678	_
Less encumbrances outstanding at June 30, 2022 expended or canceled at June 30, 2023	(22,644,123)	(22,644,123)	(21,869,544)	779,055
Decrease in fund balance appropriated by the City	18,161,675	18,161,675	18,161,675	_
Add encumbrances outstanding at June 30, 2023	(6,283,181)	(6,283,181)	(6,283,181)	_
Decrease in nonspendable inventory	 (136,069)	(136,069)	(136,069)	-
Fund balance at end of year	\$ 25,145,980	\$ 25,145,980	\$ 32,839,663	\$ 7,693,681

Required Supplementary Information (Unaudited)

#### Schedule of Changes in Net Pension Asset and Related Ratios – School Board Nonprofessional Retirement Plan For the Virginia Retirement System

Year Ended June 30

		2014	2015		2016			2017		2018		2019		2020		2021		2022	
Total Pension Liability												<u>.</u>							
Service cost	\$	422,992	\$	487,107	\$	571,242	\$	589,528	\$	622,391	\$	754,780	\$	819,408	\$	894,986	\$	961,988	
Interest		45,008		76,377		109,773		156,742		182,205		235,956		315,045		385,016		521,338	
Benefit payments, including refunds of employee contributions		(13,178)		(26,584)		(19,080)		(46,216)		(110,743)		(66,469)		(88,383)		(108,452)		(166,675)	
Change in assumptions		-		-		-		(181,126)		-		163,847		-		(169,954)		-	
Difference between expected and actual experience		-		(63,569)		22,631		(122,907)		51,870		219,381		571		85,111		(119,832)	
Net change in total pension liability		454,822		473,331		684,566		396,021		745,723		1,307,495		1,046,641		1,086,707		1,196,819	
Total pension liability beginning		649,566		1,104,388		1,577,719		2,262,285		2,658,306		3,404,029		4,711,524		5,758,165		6,844,872	
Total pension liability ending	\$	1,104,388	\$	1,577,719	\$	2,262,285	\$	2,658,306	\$	3,404,029	\$	4,711,524	\$	5,758,165	\$	6,844,872	\$	8,041,691	
Plan fiduciary net position																			
Contributions employer	s	375,675	S	261,980	\$	261,217	S	231,378	s	276,857	\$	289,226	\$	287,656	\$	305,524	\$	327,116	
Contributions employee	Ψ	226,048	Ψ	284,255	Ψ	296,130	Ψ	345,945	Ψ	422,842	Ψ	472,079	Ψ	503,370	Ψ	494,216	Ψ	526,482	
Net investment income		221,774		104,055		64,857		423,954		318,845		376,257		119,404		2,013,543		(31,789)	
Benefit payments, including refunds of employee contributions		(13,178)		(26,584)		(19,080)		(46,216)		(110,743)		(66,469)		(88,383)		(108,452)		(166,675)	
Administrative expense		(698)		(876)		(1,265)		(1,869)		(2,215)		(2,784)		(3,420)		(4,196)		(5,651)	
Other		12		(24)		(23)		(405)		(314)		(244)		(156)		198		242	
Net change in plan fiduciary net position	_	809,633		622,806		601,836	_	952,787	_	905,272	_	1,068,065		818,471		2,700,833	_	649,725	
Plan fiduciary net position beginning		1,160,169		1,969,802		2,592,608		3,194,444		4,147,231		5,052,503		6,120,568		6,939,039		9,639,872	
Plan fiduciary net position ending	\$	1,969,802	\$	2,592,608	\$	3,194,444	\$	4,147,231	\$	5,052,503	\$	6,120,568	\$	6,939,039	\$	9,639,872	\$	10,289,597	
							_		_										
Total net pension asset beginning	\$	(510,603)	\$	(865,414)	\$	(1,014,889)	\$	(932,159)	\$	(1,488,925)	\$	(1,648,474)	\$	(1,409,044)	\$	(1,180,874)	\$	(2,795,000)	
Total net pension asset ending	\$	(865,414)	\$	(1,014,889)	\$	(932,159)	\$	(1,488,925)	\$	(1,648,474)	\$	(1,409,044)	\$	(1,180,874)	\$	(2,795,000)	\$	(2,247,906)	
Plan net position as a percentage of total pension asset		227.6%		255.5%		342.7%		278.5%		306.5%		434.4%		587.6%		344.9%		457.7%	
Covered Payroll	\$	3,917,266	\$	4,012,012	\$	6,499,789	\$	7,793,308	\$	9,712,181	\$	10,920,615	\$	11,707,429	\$	11,500,998	\$	12,364,094	
Net pension asset as a percentage of covered payroll		22.1%		25.3%		14.3%		19.1%		17.0%		12.9%		10.1%		24.3%		18.2%	

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Since 2014 is the first year of this presentation, only five years are shown. Additional years will be included as they become available.

Required Supplementary Information (Unaudited)

Schedule of Employer's Proportionate Share of Net Pension Liability – School Board Teacher Retirement Plan for the Virginia Retirement System (VRS) and the Newport News Employees Retirement Fund (NNERF)

#### Year Ended June 30

School Board Teacher Retirement Plan:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability	2.06946%	2.07000%	2.04154%	2.02429%	1.99247%	1.96772%	1.90995%	1.90686%	1.87694%
Employer's proportionate share of the net pension liability	\$ 250,088,000	\$ 260,538,000	\$ 286,104,000	\$ 248,946,000	\$ 234,314,000	\$ 258,963,134	\$ 277,947,884	\$ 148,031,398	\$ 178,695,924
Employer's covered payroll	\$ 142,400,000	\$ 145,324,977	\$ 155,708,543	\$ 159,685,425	\$ 161,022,234	\$ 164,776,215	\$ 166,991,982	\$ 158,063,115	\$ 174,060,418
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	175.62%	179.28%	183.74%	155.90%	145.52%	157.16%	166.44%	93.65%	102.66%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%	74.81%	73.51%	71.47%	85.46%	82.61%
Newport News Employee Retirement Fund:	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer's proportion of the net pension liability	22.85650%	20.31030%	19.71100%	18.57830%	18.70110%	21.04650%	21.83530%	20.86170%	20.72750%
Employer's proportionate share of the net pension liability	\$ 81,092,361	\$ 80,247,927	\$ 91,756,052	\$ 75,985,892	\$ 72,279,374	\$ 85,067,976	\$ 100,630,080	\$ 54,643,897	\$ 90,816,955
Employer's covered payroll	\$ 126,100,000	\$ 123,619,906	\$ 118,639,692	\$ 113,302,877	\$ 108,187,035	\$ 103,823,307	\$ 98,821,339	\$ 92,036,126	\$ 95,401,112
Employer's proportionate share of the net pension liability as a percentage of its									
covered payroll	64.31%	64.92%	77.34%	67.06%	66.81%	81.94%	101.83%	59.37%	95.19%

The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Required Supplementary Information (Unaudited)

Schedule of Contributions for the Virginia Retirement System and NNERF

Year Ended June 30

Year Ended		ontractually Required ontribution	Co	ntribution in Relation to ontractually Required ontribution	D	entribution eficiency (Excess)	]	Employer's Covered Payroll	Contributions as a % of Covered Payroll
School Board (non-tead	cher) P	ension Plan	:						
2015	\$	375,675	\$	375,675	\$	-	\$	4,102,012	9.16%
2016		328,332		328,332		-		6,499,789	5.05%
2017		290,298		290,298		-		7,793,308	3.72%
2018		297,786		297,786		-		9,712,181	3.07%
2019		289,226		289,226		-		10,920,615	2.65%
2020		287,482		287,482		-		11,707,429	2.46%
2021		305,524		305,524		-		11,500,998	2.66%
2022		327,523		327,523		-		12,364,094	2.65%
2023		482,912		482,912		-		12,329,911	3.92%
School Board Teacher	Retire	ment Plan:							
2015	\$	21,648,000	\$	21,648,000	\$	-	\$	145,324,977	14.90%
2016		20,744,442		20,744,442		-		155,708,543	13.32%
2017		20,947,209		20,947,209		-		159,685,425	13.12%
2018		27,964,364		27,964,364		-		161,022,234	17.37%
2019		25,197,255		25,197,255		-		164,776,215	15.29%
2020		25,367,460		25,367,460		-		166,991,982	15.19%
2021		26,958,449		26,958,449		-		158,063,115	17.06%
2022		27,854,501		27,854,501		-		174,060,418	16.00%
2023		29,615,953		29,615,953		-		174,029,936	17.02%
Newport News Employe	ee Reti	rement Fund	l:						
2015	\$	6,711,771	\$	6,711,771	\$	-	\$	123,619,906	5.43%
2016		7,779,308		7,688,476		90,832		118,639,692	6.48%
2017		7,270,772		7,270,772		-		113,302,877	6.42%
2018		7,611,499		7,611,499		-		108,187,035	7.04%
2019		8,598,267		8,598,267		-		103,823,307	8.28%
2020		8,773,351		8,773,351		-		98,821,339	8.88%
2021		8,485,299		8,485,299		-		92,036,126	9.22%
2022		8,554,862		8,554,862		-		95,401,112	8.97%
2023		7,938,184		7,938,184		-		82,134,110	9.66%

Schedules are intended to show information for 10 years.

Required Supplementary Information (Unaudited)

Schedule of Changes in Net OPEB Liability

### Year Ended June 30

	2017	2018	2019	2020	2021	2022	2023
Total OPEB Liability							
Service cost	\$ 346,158	\$ 356,543	\$ 367,239	\$ 190,014	\$ 195,714	\$ 65,931	\$ 67,909
Interest	6,228,890	6,134,980	5,576,757	5,173,959	4,929,091	5,030,005	5,045,939
Difference between expected and actual experience	-	-	(19,223,441)	-	(6,235,481)		(3,923,415)
Change in assumptions	-	13,762,045	(7,065,612)	4,456,495	(7,281,461)	(700,443)	3,483,142
Benefit payments	(6,171,067)	(5,120,869)	(4,710,799)	(4,842,479)	(5,340,619)	(5,441,561)	(5,259,673)
Net change in total OPEB liability	403,981	15,132,699	(25,055,856)	4,977,989	(13,732,756)	(1,046,068)	(586,098)
Total OPEB liability beginning	99,113,541	99,517,522	114,650,221	89,594,365	94,572,354	80,839,598	79,793,530
Total OPEB liability ending	\$ 99,517,522	\$ 114,650,221	\$ 89,594,365	\$ 94,572,354	\$ 80,839,598	\$ 79,793,530	\$ 79,207,432
Plan fiduciary net position							
Contributions employer	\$ 6,745,919	\$ 5,120,869	\$ 4,710,799	\$ 4,842,479	\$ 5,340,619	\$ 5,441,561	\$ 5,259,673
Contributions members	1,525,148	1,506,699	1,413,703	1,361,282	1,169,951	1,054,951	921,235
Net investment income	2,489,541	2,238,661	1,162,759	807,842	8,177,696	(3,261,439)	2,443,081
Benefit payments	(6,171,067)	(6,627,568)	(6,124,502)	(6,203,761)	(6,510,570)	(6,496,512)	(6,180,908)
Administrative expense	(23,168)	(26,340)	(26,688)	(27,197)	(29,115)	(34,932)	(29,812)
Other changes			(27,000)				
Net change in plan fiduciary net position	4,566,373	2,212,321	1,109,071	780,645	8,148,581	(3,296,371)	2,413,269
Plan fiduciary net position beginning	18,536,899	23,103,272	25,315,593	26,424,664	27,205,309	35,353,890	32,057,519
Plan fiduciary net position ending	\$ 23,103,272	\$ 25,315,593	\$ 26,424,664	\$ 27,205,309	\$ 35,353,890	\$ 32,057,519	\$ 34,470,788
Net OPEB Liability Beginning of Year	\$ 80,576,642	\$ 76,414,250	\$ 89,334,628	\$ 63,169,701	\$ 67,367,045	\$ 45,485,708	\$ 47,736,011
Net OPEB Liability End of Year	\$ 76,414,250	\$ 89,334,628	\$ 63,169,701	\$ 67,367,045	\$ 45,485,708	\$ 47,736,011	\$ 44,736,644
Plan Fiduciary Net Position as a percentage of Total							<u> </u>
OPEB Liabilty	23.2%	22.1%	29.5%	28.8%	43.7%	40.2%	43.5%
Covered Payroll	\$ 111,269,858	\$ 102,181,521	\$ 96,501,902	\$ 92,110,467	\$ 84,826,533	\$ 83,573,285	\$ 82,319,195
Net OPEB Liability as a percentage of Covered Payroll	72.3%	87.4%	65.5%	73.1%	53.6%	57.1%	54.3%

Schedules are intended to show information for 10 years. Since 2017 is the first year of this presentation, only five years are shown. Additional years will be included as they become available.

Required Supplementary Information (Unaudited)
Schedule of Investment Returns

Year Ended June 30

	Annual Money-
	Weighted Rate of
	Return, net of
Year	Investment Expenses
2017	12.8%
2018	9.7%
2019	4.6%
2020	3.1%
2021	30.1%
2022	-9.2%
2023	7.6%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, OPEB plans should present information for those years for which information is available.

Required Supplementary Information (Unaudited)
Schedule of Employer's OPEB Contributions

#### Year Ended June 30

Year Ended	Γ	Actuarially Determined Employer ontribution	tual Employer Contribution	Percentage Contributed	D	Contribution eficiency (Excess)	(	Employer's Covered Payroll	Contributions as a % of Covered Payroll
2014	\$	8,837,990	\$ 8,548,391	96.72%	9	289,599	\$	119,767,787	7.14%
2015		7,407,843	7,407,843	100.00%		-		111,511,673	6.64%
2016		7,781,323	6,897,333	88.64%		883,990.00		105,746,207	6.52%
2017		6,726,751	6,745,919	100.28%		(19,168.00)		111,269,858	6.06%
2018		6,735,867	5,120,869	76.02%		1,614,998.00		102,181,521	5.01%
2019		4,996,292	4,710,799	94.29%		285,493.00		96,501,902	4.88%
2020		5,005,842	4,842,479	96.74%		163,363.00		92,110,467	5.26%
2021		4,588,500	5,340,619	116.39%		(752,119.00)		84,826,533	6.30%
2022		4,726,155	5,441,561	115.14%		(715,406.00)		83,573,285	6.51%
2023		4,315,233	5,259,673	121.89%		(944,440.00)		82,319,195	6.39%

### **Actuarial Assumptions:**

Valuation date 7/1/2022 Measurement date 6/30/2023

Amortization period 20 years
Asset valuation method Market Value

Inflation 2.75 Salary Increases NA

Investment rate of return 7.00% net of investment expenses and including inflation

Required Supplementary Information (Unaudited)

### Schedule of Employer's Proportionate Share of Net OPEB Liability – Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)

### Year Ended June 30

	_	VRS 2017	VRS 2018	_	VRS 2019	VRS 2020	VRS 2021	VRS 2022
Employer's proportion of the net Teacher HIC OPEB plan liability		2.02361%	1.99148%		1.96470%	1.90515%	1.90055%	1.86757%
Employer's proportionate share of the net Teacher HIC OPEB plan liability	\$	25,671,000	\$ 25,286,000	\$	25,719,834	\$ 24,852,997	\$ 24,394,874	\$ 23,326,818
Employer's covered payroll	\$	159,703,318	\$ 161,058,323	\$	164,792,500	\$ 167,020,303	\$ 174,060,418	\$186,351,223
Employer's proportionate share of the net Teacher HIC OPEB plan liability as a percentage of its covered payroll		16.07%	15.70%		15.61%	14.88%	14.02%	12.52%
Plan fiduciary net position as a percentage of the total Teacher HIC OPEB liability		7.04%	8.08%		8.97%	9.95%	13.15%	15.08%

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Required Supplementary Information (Unaudited)

Schedule of Employer's Contractually Required OPEB Contributions – Teacher Health Insurance Credit Program for the Virginia Retirement System (VRS)

Year Ended June 30

#### Contribution in Relation to Contractually Contractually Contribution Employer's Contributions as a Required Required **Deficiency** Covered % of Covered Contribution Contribution Year Ended (Excess) **Payroll Payroll** 2014 \$1,679,874 \$1,679,874 \$ 1.11% \$151,339,978 2015 1,631,376 1,631,376 153,903,373 1.06% 2016 1,649,993 1,649,993 155,659,733 1.06% 2017 159,703,318 1,772,707 1,772,707 1.11% 2018 161,058,323 1.34% 2,151,528 2,151,528 2019 1,976,811 1,976,811 164,792,500 1.20% 2020 2,004,557 2,004,557 167,020,303 1.20% 2021 168,083,938 1.21% 2,034,165 2,034,165 2022 2,105,968 2,105,968 174,060,418 1.21%

2,254,877

186,351,223

1.21%

2023

2,254,877

Required Supplementary Information (Unaudited)

### Schedule of Employer's Proportionate Share of Net OPEB Liability – Group Life Insurance Program for the Virginia Retirement System (VRS)

#### Year Ended June 30

		VRS		VRS		VRS		VRS		VRS		VRS		VRS		VRS		VRS		VRS		VRS		VRS
	PRO	FESSIONAL	NON-P	ROFESSIONAL	PRO	DFESSIONAL	NON-F	PROFESSIONAL	PRO	OFESSIONAL	NON-I	PROFESSIONAL	PRO	DFESSIONAL	NON-I	PROFESSIONAL	PRO	FESSIONAL	NON-	PROFESSIONAL	PRC	FESSIONAL	NON-P	PROFESSIONAL
		2017		2017		2018		2018		2019		2019		2020		2020		2021		2021		2022		2022
Employer's proportion of the net GLI OPEB liability		0.87085%		0.04305%		0.85173%		0.05185%		0.84551%		0.05696%		0.81656%		0.58440%		0.84551%		0.56960%		0.80615%		0.05907%
Employer's proportionate share of the net GLI OPEB liability	\$	13,105,000	\$	648,000	\$	12,936,000	s	787,000	\$	13,758,698	\$	926,891	\$	13,657,050	\$	975,268	\$	9,527,232	s	678,304	\$	9,706,823	s	711,260
Employer's covered payroll	\$	160,630,602	s	7,941,396	\$	161,954,625	s	9,859,090	\$	165,748,568	s	11,166,678	\$	168,051,675	s	12,027,008	\$	175,357,510	s	12,849,476	\$	187,792,907	s	18,088,996
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.16%		8.16%		7.99%		7.98%		8.30%		8.30%		8.13%		8.11%		5.43%		5.28%		5.17%		3.93%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%		48.86%		51.22%		51.22%		52.00%		52.00%		52.64%		52.64%		67.45%		67.45%		67.21%		67.21%

Note: The amounts presented are as of the measurement date.

Schedules are intended to show information for 10 years. Additional years will be included as they become available.

Required Supplementary Information (Unaudited)

Schedule of Employer's Contractually Required Employer OPEB Contributions – Group Life Insurance Program for the Virginia Retirement System (VRS)

Year Ended June 30

Year Ended	Contractually Required d Contribution		Required			tribution ficiency (xcess)	Imployer's vered Payroll	Contributions as a % of Covered Payroll
						,		v
VRS Professions	al Plan	ı:						
2014	\$	730,865	\$	730,865	\$	-	\$ 152,263,605	0.48%
2015		742,648		742,648		-	154,718,281	0.48%
2016		752,231		752,231		-	156,714,789	0.48%
2017		835,279		835,279		-	160,630,602	0.52%
2018		842,164		842,164		-	161,954,625	0.52%
2019		861,893		861,893		-	165,748,568	0.52%
2020		873,869		873,869		-	168,051,675	0.52%
2021		912,324		912,324		-	168,948,972	0.54%
2022		946,931		946,931		-	175,357,510	0.54%
2023		1,014,082		1,014,082		-	187,792,907	0.54%
VRS Non-Profes	sional	Plan:						
2014	\$	21,999	\$	21,999	\$	-	\$ 4,583,022	0.48%
2015		28,171		28,171		-	5,868,882	0.48%
2016		32,016		32,016		-	6,669,969	0.48%
2017		41,295		41,295		-	7,941,396	0.52%
2018		51,267		51,267		-	9,859,090	0.52%
2019		58,067		58,067		-	11,166,678	0.52%
2020		62,540		62,540		-	12,027,008	0.52%
2021		64,951		64,951		-	12,027,977	0.54%
2022		69,387		69,387		-	12,849,476	0.54%
2023		97,681		97,681		-	18,088,996	0.54%

Notes To Required Supplementary Information
June 30, 2023

#### (1) Budgetary Data

The budgetary data reflected in the required supplementary information was established by the School Board using the following procedures:

- (i) On or before April 1, the School Board submits to the City Council of the City proposed operating budgets for the General Fund, the Workers' Compensation Special Revenue Fund and the Textbook Special Revenue Fund for the forthcoming fiscal year. The operating budgets include proposed expenditures and other financing uses and the means of financing them.
- (ii) A public hearing on the City budget, which includes the School Board, is held after a synopsis of the budget is published in a local newspaper of general circulation. An appropriation ordinance must be adopted by the City Council by May 15.
- (iii) The School Board and Superintendent may amend the budget or make transfers between functions and budgetary line items without City Council approval. However, the School Board may not make transfers or expend any sum of money in excess of City Council appropriations, at the fund level, without the consent of the City Council. The legal level of budgetary control for the General Fund, the Workers' Compensation non-major Special Revenue Fund and the Textbook non-major Special Revenue Fund is the fund level; however, management control is exercised over the budget at the budgetary line item level. Appropriations, except for encumbrances and reserved fund balances, lapse at year-end.
- (iv) Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except for the following:
  - 1) Encumbrances are included as budgetary expenditures;
  - 2) Capital lease other financing sources and the accompanying capital lease expenditures are not included as budgetary resources or expenditures;
  - 3) The net change for the prepaid medical self-insurance program is excluded from the budget comparison;
  - 4) Revenue from the City that is designated for debt service and returned to the City to pay debt service is included for budgetary purposes but excluded for GAAP purposes.
- (v) Annual legally adopted operating budgets are not adopted for any other Special Revenue Funds. The School Board adopts an annual, but not a legal, operating budget for the Child Nutrition Services Fund. Program budgets for the Grants Special Revenue Fund, the Adult Education Special Revenue Fund and the State Construction Capital Projects Fund are approved by executive departments on a basis consistent with the related grant applications. Project budgets are appropriated by City Council (on a project basis, not an annual basis) for the General Obligation Bond Fund and the General Capital Projects Fund whereby the budgets remain open and carry over to succeeding years until the project is complete.

Notes To Required Supplementary Information
June 30, 2023

### (2) Intergovernmental Revenue – City of Newport News

A reconciliation of intergovernmental revenue follows:

City budget appropriations	\$ 116,189,307
Less amounts recorded by City	\$ (1,074,895)
City revenue - GAAP basis	\$ 115,114,412

### **SUPPLEMENTARY INFORMATION**

### THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

#### **Special Revenue Funds:**

*Workers' Compensation* – to account for the School Board's payment of worker compensation claims. Funding is provided primarily by transfers in from funds for which employees are paid.

*Textbook* – to account for textbook purchases. Funding is provided primarily by the Commonwealth of Virginia along with a required match by the School Board.

Child Nutrition – to account for the operation of the School Board's food service operation, primarily for students.

Adult Education – to account for general adult education classes with an educational purpose devoted primarily to instruction.

*Enterprise Academy* – to account for the regional school district providing alternative educational services for middle and high school students. The School Board is designated as the responsible party.

School Activity Funds – to account for funds held in bank accounts in each school's name for school activities. The principal of each school is designated by the School Board as the responsible party.

#### **Capital Projects Funds:**

*State Construction* – to account for capital project funding provided by the Commonwealth of Virginia for school construction projects.

*General Cash* – to account for capital project funding provided by the City of Newport News from operating cash used to purchase school buses.

### Combining Balance Sheet

### Other Nonmajor Governmental Funds

June 30, 2023

	Special Revenue Funds												Capital Projects Fund				Total Other	
Assets		Workers'	7	Textbooks		Child Nutrition	E	Adult		Enterprise Academy		School Activity Funds	C	State onstruction		General Cash		Nonmajor vernmental Funds
Cash and cash equivalents	\$	7,041,380	\$	9,331,819	\$	9,186,197	\$	115,313	-\$	2,130	\$	1,511,875	\$	7,634,016	\$	2,081,035	\$	36,903,765
Cash with agent	Ψ	250,000	Ψ		Ψ	-	Ψ	-	Ψ	2,130	Ψ	1,511,075	Ψ	7,031,010	Ψ	2,001,033	Ψ	250,000
Accounts receivable		-		_		_		130,555		_		_		_		_		130,555
Due from other governments:								150,555										150,555
Federal - Department of Agriculture		_		_		782,389		_		_		_		_		_		782,389
Inventories, at cost		_		_		824,535		_		_		_		_		_		824,535
Total assets	\$	7,291,380	\$	9,331,819	\$	10,793,121	\$	245,868	\$	2,130	\$	1,511,875	\$	7,634,016	\$	2,081,035	\$	38,891,244
Liabilities and Fund Balances																		
Liabilities:																		
Accounts payable	\$	130,796	\$	-	\$	747,672	\$	-	\$	2,130	\$	-	\$	-	\$	26,089	\$	906,687
Total liabilities		130,796		-		747,672			_	2,130		-		-		26,089		906,687
Fund balances:																		
Nonspendable:																		
Inventory		-		-		824,535		-		-		-		-		-		824,535
Restricted:																		
Adult education services		-		-		-		245,868		-		-		-		-		245,868
Capital projects		-		-		-		-		-		-		7,634,016				7,634,016
Child nutrition services		-		-		9,136,971		-		-		-		-		-		9,136,971
Textbooks		-		8,830,644		-		-		-		-		-		-		8,830,644
Workers' compensation		7,127,119		-		-		-		-		-		-		-		7,127,119
Student activities		-		-		-		-		-		1,511,875		-		-		1,511,875
Assigned to:																		
Contractual obligations		33,465		501,175		83,943		-		-		-		-		2,054,946		2,673,529
Total fund balances		7,160,584		9,331,819		10,045,449		245,868		-		1,511,875		7,634,016		2,054,946		37,984,557
Total liabilities and fund balance	\$	7,291,380	\$	9,331,819	\$	10,793,121	\$	245,868	\$	2,130	\$	1,511,875	\$	7,634,016	\$	2,081,035	\$	38,891,244

### Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

### Other Nonmajor Governmental Funds

Year Ended June 30, 2023

			Special Rev	venue Funds		Capital Pro	Total Other		
	Workers' Compensation	Textbook	Child Nutrition	Adult Education	Enterprise Academy	S chool Activity Funds	State Construction	General Cash	Nonmajor Governmental Funds
Revenues:									
Intergovernmental:									
City of Newport News, Virginia	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,757,251	\$ 2,757,251
Commonwealth of Virginia	-	2,388,650	423,088	112,774	-	-	8,161,859	-	11,086,371
Federal government	-	-	20,451,934	-	-	-	-	-	20,451,934
Charges for services	1,895,128	-	424,740	47,574	-	-	-	-	2,367,442
Investment income	219,279	-	287,508	-	-	-	-	-	506,787
Miscellaneous	-	-	-	-	-	2,828,598	-	-	2,828,598
Total revenues	2,114,407	2,388,650	21,587,270	160,348	-	2,828,598	8,161,859	2,757,251	39,998,383
Current expenditures:									
Academic services	-	928,962	-	244,080	1,784,235	2,829,321	-	-	5,786,598
Attendance and health services	-	-	-	-	99,701	-	-	-	99,701
Operations and facilities	-	-	193,797	-	242,784	-	527,843	-	964,424
Child nutrition services	-	-	22,786,862	-	-	-	-	-	22,786,862
Technology	-	-	-	-	9,307	-	-	-	9,307
Administration	1,468,395	-	-	-	-	-	-	-	1,468,395
Capital outlay	-	-	-	-	-	-	-	2,995,490	2,995,490
Debt service:									
Principal	-	-	-	-	428,838	-	-	-	428,838
Interest	-	-	-	-	33,312	-	-	-	33,312
Total expenditures	1,468,395	928,962	22,980,659	244,080	2,598,177	2,829,321	527,843	2,995,490	34,572,927
Other financing sources:									
Transfers in	-	-	-	-	2,598,177	-	-	-	2,598,177
Total other financing sources			_	-	2,598,177		-		2,598,177
Net change in fund balances	646,012	1,459,688	(1,393,389)	(83,732)	-	(723)	7,634,016	(238,239)	8,023,633
Fund balances at beginning of year	6,514,572	7,872,131	11,583,581	329,600	-	1,512,598	-	2,293,185	30,105,667
Increase in nonspendable inventory	-	-	(144,743)	-	-	-	-	-	(144,743)
Fund balances at end of year	\$ 7,160,584	\$ 9,331,819	\$ 10,045,449	\$ 245,868	\$ -	\$ 1,511,875	\$ 7,634,016	\$ 2,054,946	\$ 37,984,557

### Workers' Compensation Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)

Year Ended June 30, 2023

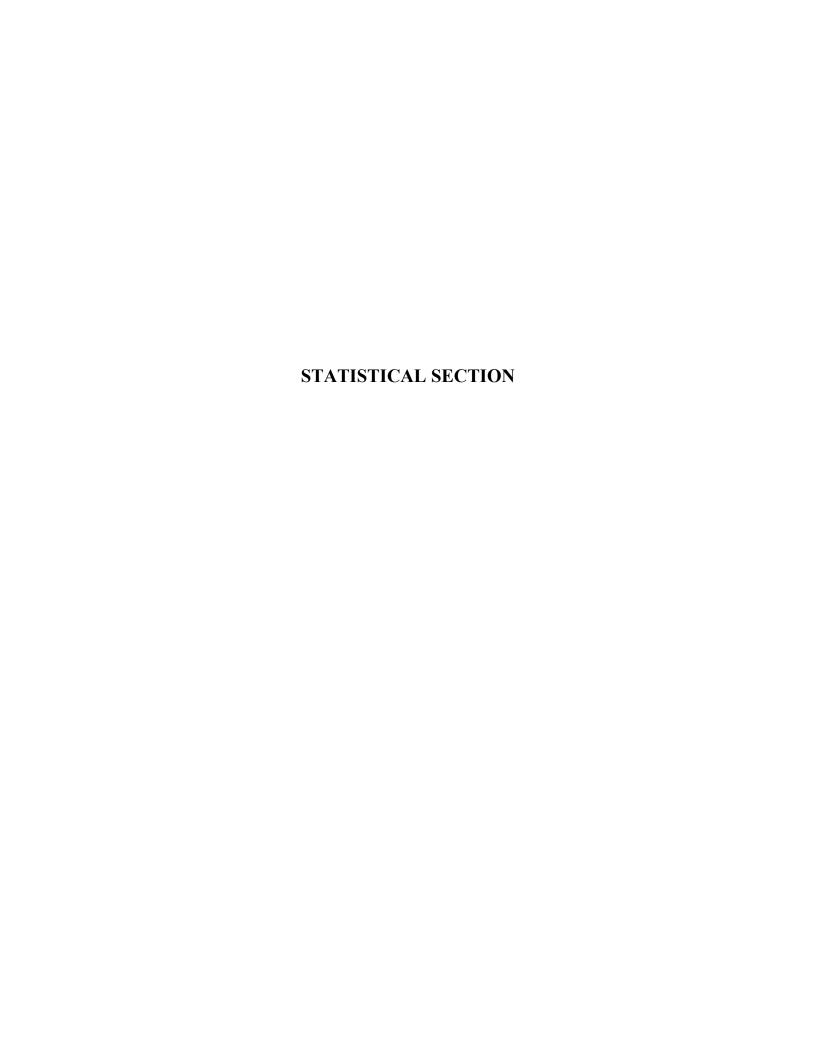
	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Charges for services	\$ 1,870,595	\$ 1,870,595	\$ 1,895,128	\$ 24,533
Investment income	10,000	10,000	219,279	209,279
Total revenues	1,880,595	1,880,595	2,114,407	233,812
Expenditures:				
Administration				
Claims	2,224,360	2,224,360	1,353,092	871,268
Administrative	127,486	127,486	126,037	1,449
Total Administration	2,351,846	2,351,846	1,479,129	872,717
Total expenditures	2,351,846	2,351,846	1,479,129	872,717
Net change in fund balances	(471,251)	(471,251)	635,278	1,106,529
Fund balance at beginning of year	6,514,572	6,514,572	6,514,572	-
Less encumbrances outstanding at June 30, 2022				
expended or canceled at June 30, 2023	(22,731)	(22,731)	(22,731)	-
Add encumbrances outstanding at June 30, 2023	33,465	33,465	33,465	<u> </u>
Fund balance at end of year	\$ 6,043,321	\$ 6,043,321	\$ 7,160,584	\$ 1,106,529

Textbook Fund

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis)

Year Ended June 30, 2023

	Original Budget	Amended Budget	Actual	Variance
Revenues:				
Commonwealth of Virginia	\$ 2,443,220	\$ 3,500,000	\$ 2,388,650	\$ (1,111,350)
Total revenues	2,443,220	3,500,000	2,388,650	1,111,350
Expenditures:	_			
Academic services	3,500,000	3,500,000	928,962	2,571,038
Total expenditures	3,500,000	3,500,000	928,962	2,571,038
Net change in fund balances	(1,056,780)	-	1,459,688	(1,459,688)
Fund balance at beginning of year	7,872,131	7,872,131	7,872,131	-
Less encumbrances outstanding at June 30, 2022				
expended or canceled at June 30, 2023	(501,175)	(501,175)	(501,175)	-
Add encumbrances outstanding at June 30, 2023	501,175	501,175	501,175	
Fund balance at end of year	\$ 6,815,351	\$ 7,872,131	\$ 9,331,819	\$ (1,459,688)



#### STATISTICAL SECTION

(Unaudited)

This part of the School Board's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

The School Board does not have the authority to levy taxes or to issue bonded debt in its name. Therefore, the following statistical tables dealing with these functions are omitted from this Annual Comprehensive Financial Report.

Schedule of Property Tax Levies and Collections

Schedule of Property Tax Rates

Legal Debt Limit

provides and the activities it performs.

Schedule of Property Valuations – Assessed Valuations

Construction and Property Values and Bank Deposits	
<u>Contents</u>	<u>Page</u>
Financial Trends	S-1
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	S-3
The School Board does not have the ability to generate its own revenue, but instead receives revenue generated by the City of Newport News, the Commonwealth of Virginia and the Federal government.	
Debt Capacity	S-7
The School Board cannot issue general obligation bonded debt. The debt for capital leases and facility notes payable is provided.	
Demographic and Economic Information	S-8
The schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	S-10
These schedules contain service and capital asset data to help the reader understand how the	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

information of the government's financial report relates to the services the government

Net Position by Component (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)
Fiscal Year

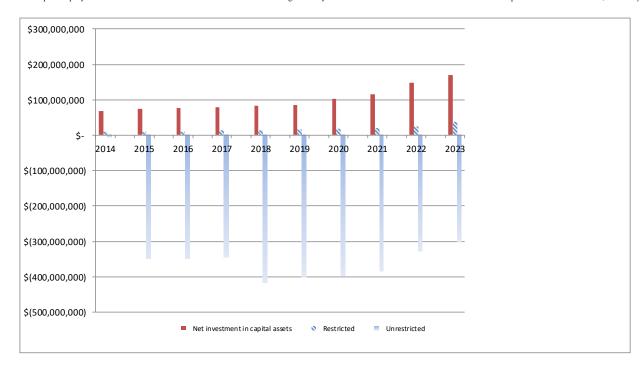
Governmental activities: Net investment in capital assets Restricted Unrestricted

Total net position

ass	se	ts		

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$ 68,663,255	\$ 73,864,578	\$ 76,396,233	\$ 79,134,691	\$ 83,735,916	\$ 85,817,478	\$ 103,225,846	\$ 115,367,599	\$ 149,190,754	\$ 170,797,424
10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390	19,271,354	21,031,123	25,347,400	36,734,399
(6,480,188)	(349,008,517)	(348, 482, 706)	(344,837,917)	(415,912,591)	(401,816,864)	(397,884,305)	(383,563,356)	(328,724,911)	(301,149,768)
\$74,420,298	\$ 72,539,045	\$(264,982,116)	\$ (252,723,904)	\$ (317,723,407)	\$ (299,510,996)	\$(275,387,105)	\$ (247,164,634)	\$ (154,186,757)	\$ (93,617,945)

NOTE - Implementation of GASB 68 and GASB 71 regarding pensions is the reason that unrestricted declined so significantly in FY2015 and implementation of GASB 75 regarding other postemployment benefits is the reason that unrestricted declined so significantly in FY2018. FY2020 has been restated due to the implementation of GASB 84, Fiduicary Activities.

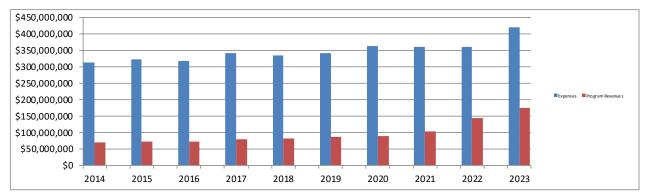


Net Position by Component (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting) Fiscal Year

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental activities:										
Academic services	\$ 220,242,178	\$ 226,919,153	\$ 223,914,542	\$ 239,059,534	\$ 233,563,436	\$ 237,092,146	\$251,796,113	\$ 256,176,304	\$ 246,301,627	\$265,493,617
Attendance and health services	5,370,389	5,477,238	5,516,924	5,819,807	5,772,856	5,789,055	5,840,823	6,369,060	5,455,766	8,313,982
Transportation services	17,760,521	18,060,597	17,178,198	19,401,940	19,477,828	20,414,287	22,340,038	17,253,221	21,815,640	24,255,683
Operations and facilities	32,334,959	32,217,732	29,940,440	33,551,144	32,622,223	32,634,471	33,407,917	32,942,678	34,626,465	56,287,038
Child nutrition services	15,045,887	16,318,436	16,719,938	17,410,411	17,763,684	17,874,039	19,389,589	13,760,362	14,922,336	21,515,469
Technology services	13,352,948	13,305,419	14,816,817	15,885,584	14,763,143	17,282,063	19,015,003	23,102,537	24,064,316	21,592,096
Administration	8,320,335	9,677,653	9,478,014	8,808,208	8,540,498	9,658,002	10,830,253	10,661,816	11,598,760	21,682,049
Interest on capital debt	282,261	258,111	40,858	861,885	502,197	470,071	445,834	425,488	160,098	76,953
Total expenses	312,709,478	322,234,339	317,605,731	340,798,513	333,005,865	341,214,134	363,065,570	360,691,466	358,945,008	419,216,886
Program Revenues										
Charges for services:										
Academic services	1,431,667	1,694,406	1,043,101	994,482	964,365	1,079,119	1,257,017	852,522	1,431,871	\$2,965,403
Operations and facilities	258,467	417,127	443,071	425,862	456,180	369,970	612,132	573,749	697,913	487,464
Child nutrition services	3,310,549	3,054,562	2,959,508	2,435,283	2,137,859	1,306,961	479,983	44,707	15,820	424,741
Technology services	169,063	106,760	526,503	878,545	118,209	298,250	252,776	-	-	-
Administration	857,254	2,446,135	2,095,897	2,094,329	1,543,042	3,094,401	1,704,338	1,701,941	2,508,182	2,706,172
Operating grants and contributions	62,988,257	62,730,008	62,893,347	69,051,155	73,811,020	77,131,195	82,297,679	98,065,482	138,547,565	164,908,675
Capital grants and contributions	858,967	1,308,589	885,030	1,931,173	1,371,676	1,632,915	1,662,668	1,495,769	915,210	1,955,227
Total program revenues	69,874,224	71,757,587	70,846,457	77,810,829	80,402,351	84,912,811	88,266,593	102,734,170	144,116,561	173,447,682
Net Expense	\$ 242,835,254	\$ 250,476,752	\$ 246,759,274	\$ 262,987,684	\$ 252,603,514	\$ 256,301,323	\$ 274,798,977	\$ 257,957,296	\$ 214,828,447	\$ 245,769,204

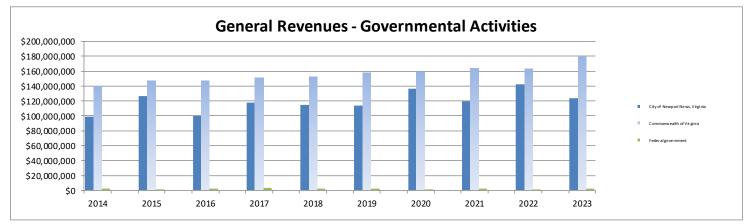


Expenses, Program Revenues and Net Expense (Unaudited)

Last Ten Fiscal Years

(Accrual Basis of Accounting)
Fiscal Year

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Expense	#242 925 254	£250 476 752	£ 246.750.274	£ 262.097.694	£ 252 (02 514	¢ 256 201 222	£ 274.709.077	£ 257.057.20¢	£ 214.929.447	¢ 245.760.204
Total net expense	\$242,835,254	\$250,476,752	\$ 246,759,274	\$ 262,987,684	\$ 252,603,514	\$ 256,301,323	\$ 274,798,977	\$ 257,957,296	\$ 214,828,447	\$ 245,769,204
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Grants not restricted to specific programs										
City of Newport News, Virginia	99,150,620	126,133,857	99,916,844	117,586,726	115,076,604	113,885,271	136,449,303	119,779,623	142,613,894	123,331,148
Commonwealth of Virginia	139,113,046	146,829,384	147,216,415	151,605,074	151,756,817	157,975,478	158,975,313	164,471,287	163,448,158	179,946,746
Federal government	2,672,988	1,173,182	2,380,330	3,211,922	1,877,070	2,464,163	1,623,208	1,898,684	1,709,458	2,549,642
Interest	17,347	15,432	28,693	59,166	110,753	188,822	168,344	30,173	34,814	510,480
Miscellaneous	-	-	-	-	39,418	-	-	-	-	-
Total general revenues	240,954,001	274,151,855	249,542,282	272,462,888	268,860,662	274,513,734	297,216,168	286,179,767	307,806,324	306,338,016
Change in Net Position	(1,881,253)	23,675,103	2,783,008	9,475,204	16,257,148	(18,212,411)	22,417,191	28,222,471	92,977,877	60,568,812
Net position at beginning of year	74,420,298	72,539,045	(264,982,116)	(262,199,108)	(252,723,904)	(317,723,407)	(299,510,996)	(277,093,805)	(247,164,634)	(154,186,757)
Prior period adjustment			(361,196,264)			(81,256,651)		1,706,700		
Net position at end of year	\$ 72,539,045	\$ 96,214,148	\$ (623,395,372)	\$ (252,723,904)	\$ (236,466,756)	\$ (380,767,647)	\$ (277,093,804)	\$ (247,164,634)	\$ (154,186,757)	\$ (93,617,945)



Fund Balances – Governmental Funds (Unaudited)

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting) Fiscal Year

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General Fund										
Nonspendable	\$ 1,812,575	\$ 1,748,790	\$ 1,295,585	\$ 1,114,494	\$ 1,169,262	\$ 862,212	\$ 1,032,201	\$ 1,324,663	\$ 2,320,375	\$ 2,184,306
Assigned to	27,925,260	23,648,913	24,068,826	22,342,891	21,500,629	19,703,260	20,566,541	33,317,343	27,444,123	22,961,675
Unassigned	-	-	-	-	-	333,194	-	6,708,745	6,283,180	7,693,682
Total General Fund	\$ 29,737,835	\$ 25,397,703	\$ 25,364,411	\$ 23,457,385	\$22,669,891	\$20,898,666	\$ 21,598,742	\$41,350,751	\$ 36,047,678	\$ 32,839,663
All Other Governmental Funds										
Nonspendable	\$ 390,017	\$ 521,172	\$ 547,528	\$ 452,121	\$ -	\$ -	\$ -	\$ -	\$ 969,278	\$ 824,535
Restricted	10,355,978	10,161,823	9,887,365	12,979,322	14,453,268	16,488,390	17,564,654	19,647,532	25,347,400	34,486,493
Assigned	2,038,882	19,738,006	5,071,163	6,631,329	11,183,556	9,437,748	13,033,303	7,498,780	12,472,258	5,943,775
Total all other governmental funds	\$ 12,784,877	\$ 30,421,001	\$15,506,056	\$ 20,062,772	\$ 25,636,824	\$ 25,926,138	\$ 30,597,957	\$ 27,146,312	\$ 38,788,936	\$41,254,803

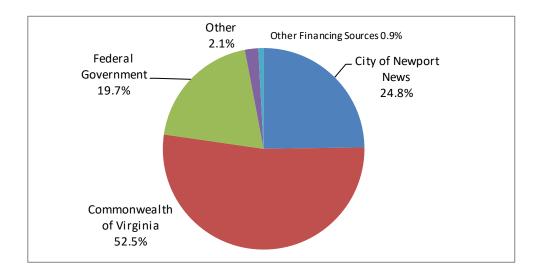
NOTE - Comprehensive Annual Financial reports issued in prior years had some fund balance reported as Committed for All Other Governmental Funds for years 2012 through 2016. It has been determined that those have been reported as Restricted. The table above has been reclassified to retroactively account for this change.

Governmental Funds' Revenues and Other Financing Sources (Unaudited)

#### Last Ten Fiscal Years

(Modified Accrual Basis of Accounting) (Amounts in Thousands)

					Other	Total Revenues
	City of	Commonwealth	Federal		Financing	and Other
Fiscal Year	Newport News	of Virginia	Government	Other	Sources	Financing Sources
2014	\$ 104,055,471	\$ 167,995,494	\$ 37,479,790	\$ 6,202,320	\$ 18,165	\$ 315,751,240
2015	127,074,351	174,050,882	37,375,412	8,349,290	663,485	347,513,420
2016	108,353,173	173,853,546	38,426,543	7,991,806	11,164,235	339,789,303
2017	118,449,648	184,807,119	40,643,471	7,236,401	8,726,166	359,862,805
2018	119,466,869	190,106,100	38,128,069	5,952,241	956,819	354,610,098
2019	115,844,014	198,941,247	39,812,518	6,787,509	24,895	361,410,183
2020	129,798,856	205,412,034	38,258,465	5,023,827	382,981	378,876,163
2021	117,767,918	215,546,634	49,576,257	4,238,143	1,386,657	388,515,609
2022	125,069,308	224,342,826	77,636,415	7,275,942	7,667,981	441,992,472
2023	118,744,716	251,621,948	94,575,266	10,257,336	4,097,433	479,296,699

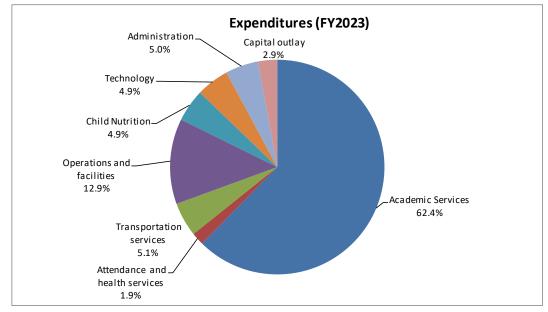


Governmental Funds' Expenditures, Other Financing Sources, Change in Fund Balance and Debt Service Ratio (Unaudited)

#### Last Ten Fiscal Years

### (Modified Accrual Basis of Accounting) Fiscal Year

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenues and other financing										
sources (Table V)	\$315,751,240	\$ 347,513,420	\$339,789,303	\$ 359,862,805	\$ 354,610,098	\$361,410,183	\$ 378,876,163	\$ 388,515,609	\$ 441,992,472	\$ 479,296,699
Academic services	\$219,338,755	\$ 226,859,864	\$228,286,657	\$ 236,673,539	\$239,527,188	\$246,562,614	\$ 248,464,507	\$ 253,889,143	\$ 287,992,141	\$ 296,174,161
Attendance and health services	5,426,772	5,582,154	5,772,945	5,855,981	6,007,327	6,128,941	5,842,841	6,412,225	6,855,316	8,954,824
Transportation services	16,900,789	17,141,068	16,747,043	18,260,506	19,143,378	19,895,100	20,752,509	15,758,240	25,019,257	24,450,687
Operations and facilities	31,502,312	31,474,496	30,267,232	32,690,252	33,161,240	31,973,588	32,359,915	32,401,525	42,025,629	61,055,639
Child nutrition services	15,127,188	16,617,410	17,460,389	17,364,347	18,585,550	18,833,316	19,572,622	13,484,160	18,227,135	23,225,095
Technology services	13,616,968	13,577,254	15,655,607	15,747,776	15,137,753	17,923,925	19,131,895	23,209,936	29,195,670	23,448,490
Administration	8,054,340	9,654,222	9,740,468	8,711,954	8,735,554	10,084,005	10,756,984	10,671,653	13,822,356	23,685,730
Capital outlay	5,450,745	9,316,121	30,684,616	19,367,766	6,890,110	9,421,003	15,526,391	14,935,077	9,189,827	13,690,090
Debt service										
Principal	2,803,222	3,888,129	346,321	524,590	1,819,714	1,262,985	1,291,896	1,582,891	1,034,560	1,103,828
Interest	282,261	258,111	40,858	456,872	907,210	470,071	445,834	425,488	86,453	35,398
Leases and SBIT As:										
Principal	-	-	-	-	-	-	-	-	866,955	1,294,360
Interest	-	-	-	-	-	-	-	-	73,645	41,555
Other financing uses	18,165	-	19,821	1,282,834	-	24,895	-	1,386,657	2,331,007	2,598,177
Total expenditures and other										
financing uses	\$318,521,517	\$318,521,517	\$355,021,957	\$ 356,936,417	\$ 349,915,024	\$362,580,443	\$ 374,145,394	\$ 374,156,995	\$ 436,719,951	\$ 479,758,034
Change in fund balance	\$ (2,770,277)	\$ 28,991,903	\$ (15,232,654)	\$ 2,926,388	\$ 4,695,074	\$ (1,170,260)	\$ 4,730,769	\$ 14,358,614	\$ 5,272,521	\$ (461,335)
Debt service as a percentage of								 		
noncapital expenditures	1.0%	1.0%	0.1%	0.3%	0.8%	0.5%	0.5%	0.6%	0.3%	0.2%



Capital Leases and Facility Notes Payable Debt to Assessed Value of Taxable Property and Debt Per Capita of the City of Newport News, Virginia (Unaudited)

#### Last Ten Fiscal Years

(Amounts in thousands except for population and net debt per capita)

		(2) Assessed	(3)	Capital lease and facility	Ratio of debt	Net	Ratio of debt
Fiscal year	(1) Population	value of property	Personal Income	notes payable debt	to assessed value	debt per capita	to personal income
2014	182,020	16,207,738	7,045,829	4,290	0.03%	24	0.06%
2015	182,965	16,319,157	7,377,992	1,066	0.01%	6	0.01%
2016	182,385	16,716,737	7,448,898	11,863	0.07%	65	0.16%
2017	181,825	17,082,661	7,470,774	18,783	0.11%	103	0.25%
2018	179,388	17,372,973	7,770,354	17,920	0.10%	100	0.23%
2019	178,626	18,056,404	7,969,244	16,657	0.09%	93	0.21%
2020	186,247	18,712,760	8,197,632	15,748	0.08%	85	0.19%
2021	184,587	19,594,195	8,758,253	14,165	0.07%	77	0.16%
2022	184,306	20,600,394	Not Available	12,783	0.06%	69	Not Available
2023	Not Available	20,365,803	Not Available	Not Available	Not Available	Not Available	Not Available

Notes: (1) Source: 2012-2015 – Bureau of Economic Analysis; 2016-2020, U. S. Bureau of Census, 2021 data not yet available

(2) Source - City of Newport News Office of the Treasurer and Commissioner of the Revenue

(3) Source: 2012-2019 Bureau of Economic Analysis, 2020-2021 data not yet available

NOTE - The School Board is not permitted to issue general obligation bonded debt

Standards of Learning – Percentage of Students with a Passing Score – School Board and State (Unaudited)

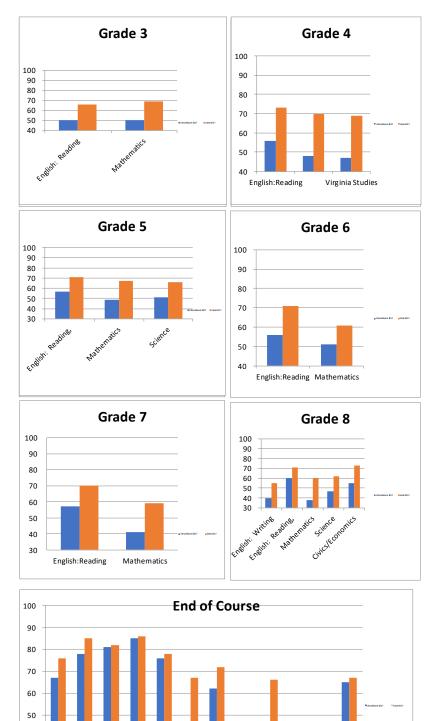
Last Four Fiscal Years
No tests were administered in 2020 due to COVID-19

					Grade 3						
			School Board		Grade 5			State			
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English: Reading		41	50	50	-	_	61	68	66	(2)	
Mathematics	-	23	41	50	9	-	54	67	69	2	
	Grade 4										
		, ,	, ,					, ,			
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English:Reading	-	52	53	56	3	-	68	72	73	1	
Mathematics	-	30	41	48	7	-	56	66	70	4	
Virginia Studies	-	18	42	47	5	-	53	66	69	3	
				•	Grade 5						
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English: Reading,	-	47	58	57	(1)	-	66	72	71	(1)	
Mathematics	-	26	46	49	3	-	51	64	67	3	
Science	-	22	42	51	9		50	61	66	5	
					Grade 6						
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English:Reading	2020	53	54	56	2	2020	69	70	71	Change	
Mathematics		31	46	51	5	_	45	57	61	4	
			10	•	•			3/1	0.1		
				•	Grade 7						
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English:Reading	-	56	58	57	(1)	-	71	72	70	(2)	
Mathematics	-	21	38	41	3	-	45	55	59	4	
					Grade 8						
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English: Writing	-	39	40	40	-	-	54	54	55	1	
English: Reading,	_	55	60	60	_	_	69	72	71	(1)	
Mathematics	-	16	35	38	3	-	43	57	60	3	
Science	-	39	44	47	3	-	58	61	62	1	
Civics/Economics	- [	48	50	55	5	-	61	70	73	3	
				End	of Course						
Test	2020	2021	2022	2023	Change	2020	2021	2022	2023	Change	
English: Writing		67	62	67	5		76	74	76	2	
English: Reading	-	74	78	78	-	-	81	85	85	-	
Algebra I	-	16	80	81	1	-	43	80	82	2	
Algebra II		64	80	85	5		78	86	86	-	
Geometry	-	46	71	76	5	-	73	80	78	(2)	
Earth science	-	48	51	43	(8)	-	67	72	67	(5)	
Biology	-	53	56	62	6	-	66	70	72	2	
Chemistry	-	36	26	6	(20)	-	52	64	37	(27)	
World History I	-	18	21	38	17	-	53	66	66	- ,	
World History II	-	59	55	14	(41)	-	44	48	30	(18)	
VA & U. S. History World Geography	-	10	22 49	28 65	6	-	29 58	38 66	38 67	1	
Source - Virginia Departmen			47	03	16		38	1 00	0/	1	

Source - Virginia Department of Education Dvision Report Card

Standards of Learning – Percentage of Students with a Passing Score – School Board and State (Unaudited) (continued)

Last Four Fiscal Years
No tests were administered in 2020 due to COVID-19



Biology

Earth science

Chemistry

World History II

World Geography

World History I

40

Algebra I Algebra II

English: Reading

Miscellaneous Statistics (Unaudited)

June 30, 2023

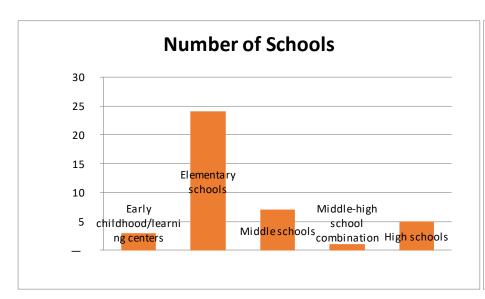
#### City of Newport News General Information

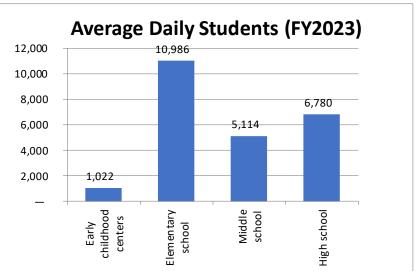
Date of incorporation (first Charter adopted):	January 16, 1896
Consolidation with Warwick City:	July 1, 1958
Form of government:	Council-Manager (seven member council)
Area – square miles:	69 square miles

#### The School Board of the City of Newport News

Number of schools:	Average daily students (FY2023):							
Early childhood/learning centers	3	Early childhood centers	1,022					
Elementary schools	24	Elementary school	10,986					
Middle schools	7	Middle school	5,114					
Middle-high school combination	1	High school	6,780					
High schools	5							
Total	40	Total	23,902					

Miscellaneous Statistics (Unaudited)
June 30, 2023





Demographic Statistics (Unaudited)

Last Ten Fiscal Years

		(2)	(3)		
		Personal	Per	(4)	(5)
Fiscal	(1)	Income	Capita	School	Unemployment
Year	Population	(In thousands)	Income	Enrollment	Rate (%)
2014	182,020	7,045,829	38,509	27,804	6.4%
2015	182,965	7,377,992	40,453	27,488	6.0%
2016	182,385	7,448,898	40,967	27,253	5.0%
2017	181,825	7,470,774	41,646	26,993	4.9%
2018	179,388	7,770,354	43,501	26,873	4.2%
2019	178,626	7,969,244	44,465	26,916	3.5%
2020	186,247	8,197,632	45,781	26,836	5.8%
2021	184,587	8,758,253	47,448	25,664	8.0%
2022	184,306	Not Available	Not Available	23,933	4.4%
2023	Not Available	Not Available	Not Available	25,337	3.6%

#### Notes:

- (1) Source: 2012-2015 Bureau of Economic Analysis; 2016-2021, U. S. Bureau of Census
- (2) Source: 2012-2019 Bureau of Economic Analysis; 2020-2021 data not yet available
- (3) Source: 2012-2019 Bureau of Economic Analysis; 2020-2021 data not yet available
- (4) City of Newport News School System average ADM as of March 31st of each year Early childhood enrollment is not included.
- (5) 2012-2014 Virginia Workforce Connection, 2015-2021 Virginia Labor Market Information

### Capital Asset Information (Unaudited)

#### Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<u>Schools</u>										
Elementary										
Buildings (Note 1)	24	24	24	24	24	24	24	24	24	24
Average age of buildings (Note 2)	50 years	51 years	52 years	50 years	51 years	52 years	53 years	54 years	55 years	56 years
Modular learning cottages	71	71	71	71	71	71	71	71	71	71
Square feet	1,534,997	1,534,997	1,534,997	1,563,147	1,563,147	1,563,147	1,563,147	1,563,147	1,563,147	1,563,147
Capacity (based on current program)	15,600	15,600	15,600	15,750	15,750	15,750	15,750	15,482	15,482	15,482
Enrollment (as of September 30)	13,664	13,664	13,519	13,418	13,205	13,239	13,003	12,217	13,190	11,906
Percent of capacity used	88%	88%	87%	85%	84%	84%	83%	79%	85%	77%
Middle										
Buildings (Note 1)	8	8	8	8	8	8	8	8	8	8
Average age of buildings (Note 2)	42 years	43 years	44 years	45 years	46 years	47 years	48 years	49 years	50 years	51 years
Modular learning cottages	14	14	14	14	14	14	14	14	14	14
Square feet	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260	1,048,260
Capacity (based on current program)	7,484	7,484	7,484	7,484	7,484	7,484	7,484	7,623	7,623	7,623
Enrollment (as of September 30)	6,152	6,152	6,162	5,911	5,912	6,243	6,263	6,188	4,890	5,835
Percent of capacity used	82%	82%	82%	79%	79%	83%	84%	81%	64%	77%
High										
Buildings	6	6	6	6	6	6	6	6	6	6
Average age of buildings (Note 2)	30 years	31 years	32 years	33 years	34 years	35 years	36 years	37 years	38 years	39 years
Alternative high school facilities (leased)	2	2	2	2	2	2	2	2	2	2
Modular learning cottages	20	20	20	20	20	20	20	20	20	20
Square feet	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000	1,223,000
Capacity (based on current program)	8,570	8,570	8,570	8,570	8,570	8,570	8,570	10,004	10,004	10,004
Enrollment (as of September 30)	7,963	7,963	7,540	7,757	7,756	7,705	7,570	7,661	7,718	7,832
Percent of capacity used	93%	93%	88%	91%	91%	90%	88%	77%	77%	78%
Early Childhood Centers										
Buildings	4	4	4	4	4	4	4	4	4	4
Average age of buildings (Note 2)	39 years	40 years	41 years	42 years	43 years	44 years	45 years	46 years	47 years	48 years
Square feet	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403	206,403
Capacity (based on current program)	2,050	2,050	1,919	1,919	1,919	1,919	1,919	1,892	1,892	1,892
Enrollment (as of September 30)	1,456	1,456	1,504	1,428	1,528	1,465	1,446	1,047	879	984
Percent of capacity used	71%	71%	78%	74%	80%	76%	75%	55%	46%	52%
Administrative and Operations										
Buildings	6	6	6	6	6	5	5	5	5	5
Average age of buildings	39 years	40 years	41 years	42 years	43 years	35 years	36 years	37 years	38 years	39 years
Square feet	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000	199,000
Transportation	,		*			*	*	· ·		,
Buildings	1	1	1	1	1	1	1	1	1	1
Age of building	37 years	38 years	39 years	40 years	41 years	1 year	2 year	3 year	4 year	5 year
Square feet	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500	26,500
Buses	365	356	335	336	335	338	338	340	343	340

Source: Newport News Public Schools insurance and facility department records

Notes: Note 1 - In FY2008 we added a middle-high school combination, although one physical building, we have treated it

as separate buildings for the purposes of this statistical table.

Note 2 - Average age is based upon the year the building was first constructed.

In many cases, the buildings have received additions and/or extensive renovations, such as roof, window and HVAC replacements.

However, the following schools have received such an extensive renovation, that the age of the building is based

upon the year of renovation, rather than the year of original construction:

An Achievable Dream Middle and High School, (2007 instead of 1951), Crittenden Middle School (1994 instead of

1949, and Washington Middle School (2006 instead of 1929)

Operational Statistics (Unaudited)

Last Ten Fiscal Years

	(1)	(2)	(2)	(3)
P* 1	Continu	Elementary	Secondary	Percentage of Students on
Fiscal Year	Cost per Student	Student/ Teacher Ratio	Student/ Teacher Ratio	Free/Reduced Lunch
2014	10,563	14.4	13.7	61.3%
2015	11,043	13.7	12.0	62.9%
2016	11,191	14.2	12.9	64.2%
2017	11,600	14.0	13.1	64.1%
2018	11,947	13.9	13.2	67.9%
2019	12,343	14.4	12.7	75.6%
2020	12,596	14.3	13.2	76.4%
2021	13,280	14.0	13.9	90.5%
2022	15,742	13.8	13.5	90.8%
2023 (est)	14,760	15.1	14.7	91.1%

Sources:

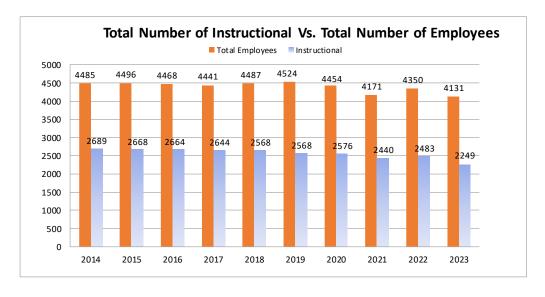
- (1) Cost per student based upon formula for operating costs per the Virginia Department of Education and published in table 15 of the Annual Superintendent's Report on their website Starting with FY2012, pre-school students are included in the cost per student. (FY2022 data based on internal estimates and not yet verified and published by the State)
- (2) Student/teacher ratio includes all teachers (including resource and special education) and is published by the Virginia Department of Education on their website. (data for 2022 is estimated by School Board pending State publishing the data on their website)
- (3) Percentage of students on free/reduced lunch from Newport News Public Schools Child Nutrition Services Department.

Full Time Equivalent District Employees by Type (Unaudited)

#### Last Ten Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Supervisory:										<u> </u>
Principals	42	39	40	39	38	41	39	34	41	33
Assistant principals	76	77	77	72	75	73	71	60	73	73
Instructional administrative	56	59	60	60	54	76	86	66	72	73
Other administrative and professional	57	57	55	55	72	71	64	49	73	66
Instructional:										
Elementary classroom teachers	1,223	1,139	1,227	1,236	1,245	1,209	1,203	1,156	1,138	1,039
Secondary classroom teachers	693	801	734	702	707	713	714	674	685	655
Guidance counselors	95	95	95	93	90	93	94	90	99	89
Librarians	39	40	42	42	45	43	45	36	37	31
Technology	28	28	27	27	30	28	26	30	30	24
Other instructional	145	121	112	117	117	95	112	101	120	44
Social workers	14	13	13	14	13	15	16	18	18	18
Teacher assistants	452	431	415	413	396	372	366	335	357	349
Support Services:										
Psychologists	17	17	17	17	17	17	17	17	19	34
Instructional technical	38	41	40	41	47	25	40	37	36	41
Instructional clerical	180	180	179	171	169	203	189	184	195	173
Non-instructional technical	98	104	89	89	81	93	109	101	129	114
Non-instruction clerical	34	35	34	36	37	40	32	42	43	55
Nurses	52	52	56	55	55	58	60	57	52	63
Bus drivers	310	308	309	312	340	348	320	273	252	264
Bus assistants	96	113	99	106	102	104	100	89	105	106
Custodians	233	240	238	238	250	281	240	248	245	221
Child nutrition services	346	344	344	347	341	374	351	311	357	356
Security officers	62	61	64	65	70	63	66	65	72	104
Skilled trades	85	85	86	81	82	86	91	95	102	103
Other	14	16	16	13	14	3	3	3	3	4
Total	4,485	4,496	4,468	4,441	4,487	4,524	4,454	4,171	4,350	4,131

Source: Superintendent's annual financial report to the Commonwealth of Virginia.



Teacher Base Salaries (Unaudited)

Last Ten Fiscal Years

Fiscal Year	Minimum Salary	Maximum Salary	Newport News Average Salary	Statewide Average Salary
2014	39,500	57,879	49,540	53,756
2015	40,500	59,590	50,219	54,486
2016	41,500	59,884	51,153	54,891
2017	42,600	61,931	52,838	56,351
2018	43,250	63,406	52,854	57,249
2019	44,535	64,998	55,595	59,301
2020	45,000	66,398	55,740	55,505
2021	45,000	65,417	59,406	61,588
2022	47,200	72,880	60,770	64,557
2023	50,000	76,855	62,559	N/A

Sources: Minimum and Maximum salaries from Newport News Public Schools Budget Document, Appendix 2 for teachers with a Bachelors degree working standard 192-day contract. Newport News and Statewide average salary from Superintendent's annual financial report Table 19 as published by the Virginia Department of Education on their website, except FY2022 is from our submission to the State but not yet verified. FY2022 Statewide Average is not yet available.

Principal Taxpayers of the City of Newport News (Unaudited)

June 30, 2023 and Nine Years Prior (Amounts in Thousands)

	2014	Percentage of Total	2023	Percentage of Total
Taxpayer	Taxes (1)	Assessments	Taxes (1)	Assessments
HUNTINGTON INGALLS INCORPORATED	\$ 19,363	7.78%	\$ 31,946	9.18
CANON USA INC	4,505	1.81%	5,162	1.48
THE MARINERS MUSEUEM	2,712	1.09%	4,020	1.16
VIRGINIA ELECTRIC & POWER CO RICHMOND	2,476	0.99%	3,663	1.05
VITESCO TECHNOLOGIES USA LLC	=	-	2,102	0.60
OYSTER POINT RESIDENTIAL LLC	471	0.19%	1,800	0.52
FERGUSON ENTERPRISES CORP	-	0.00%	1,747	0.50
VIRGINIA NATURAL GAS INC	929	0.37%	1,606	0.46
PR PATRICK HENRY L L C	1,590	0.64%	1,585	0.46
LIEBHERR AMERICA INC	-	-	1,203	0.35
CCOP LLC	-	0.00%	1,168	0.34
DOMINION TERMINAL ASSOCIATES	1,212	0.49%	1,131	0.32
KINDER MORGAN OPERATING LP"C"	1,016	0.41%	1,130	0.32
VERIZON VIRGINIA LLC	1,305	0.52%	891	0.26
IREIT NEWPORT NEWSTECH CENTER LLC	-	0.00%	849	0.24
COMPASS AT CITY CENTER LLC	-	0.00%	841	0.24
COX COMMUNICATIONS HAMPTON ROADS LI	454	0.18%	830	0.24
VENTURE NEWPORT NEWS LLC	-	0.00%	822	0.24
MID AMERICA APARTMENTS LP	-	0.00%	749	0.22
BH L5 SPRINGHOUSE OWNER LLC	373	0.15%	730	0.21
Continental Automotive Systems Us Inc	1,819	0.73%	=	-
Inland Western Newport News	794	0.32%	=	-
Bottling Group L L C	591	0.24%	-	-
Patrick Henry Hospital	550	0.22%	-	-
DCO Realty Inc	515	0.21%	-	-
Meridian Parkside Apartments L L C	456	0.18%	-	-
CSX Transportation Inc	411	0.17%	-	-
Radius Apartments	393	0.16%		
	\$ 41,935	16.85%	\$ 63,975	18.39

Note: (1) Includes real estate and personal property tax assessments for these taxpayers. Current taxpayer name used if different from 2014

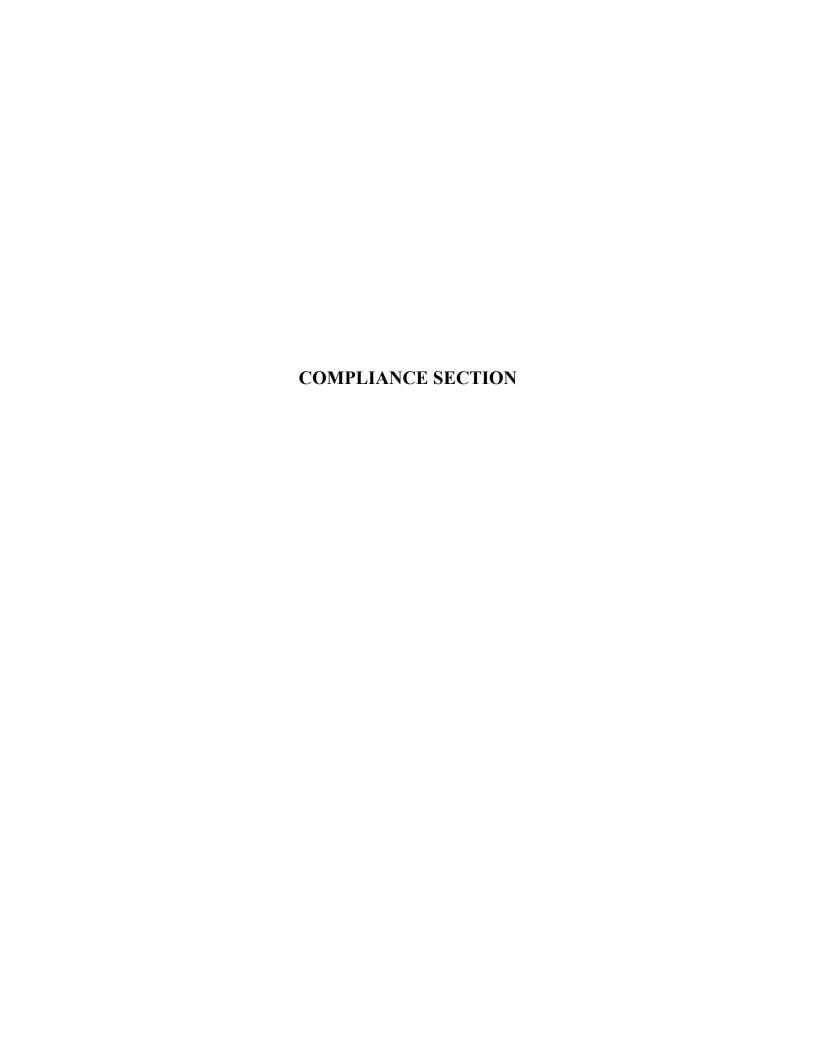
Source: City of Newport News Real Estate Assessors Office and Office of the Commissioner of the Revenue

Principal Employers of the City of Newport News (Unaudited)

June 30, 2023 and Nine Years Prior

<b>Employer</b>	2014 Employees	Percentage of Total City Employment	2023 Employees	Percentage of Total City Employment
Huntington Ingalls Industries, Inc.	23,000	26.93%	23,000	26.95%
Riverside Regional Medical Center	5,000	5.85%	5,600	6.56%
Newport News Public Schools	5,200	6.09%	4,600	5.39%
City of Newport News	3,900	4.57%	3,500	4.10%
Ferguson Enterprises Inc.	1,500	1.76%	1,500	1.76%
Christopher Newport University	1,200	1.41%	1,300	1.52%
U.S. Department of the Army and Air Force	900	1.05%	1,000	1.17%
Canon	1,200	1.41%	1,000	1.17%
Walmart	1,000	1.17%	900	1.05%
Power Solutions LLC	_	0.00%	800	0.94%
Mary Immaculate Hospital	900	1.05%	_	0.00%
	43,800	51.29%	43,200	50.61%

Source: Virginia Employment Commission





# Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Members of the School Board of the City of Newport News, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 8, 2023. Our report includes a reference to other auditors who audited the financial statements of the School Activity Funds, a special revenue fund of the School Board, as described in our report on the School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the School Activity Fund were not audited in accordance with the Specifications.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School Board's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2023-001, that we consider to be a significant deficiency.

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#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards or* the Specifications.

#### The School Board's Response to the Finding

Cherry Bekaert LLP

Government Auditing Standards requires the auditor to perform limited procedures on the School Board's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tysons Corner, Virginia December 8, 2023



## Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Members of the School Board of the City of Newport News, Virginia

#### Report on Compliance for Each Major Federal Program

#### Opinion on Each Major Federal Program

We have audited the School Board of the City of Newport News, Virginia's (the "School Board") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School Board's major federal programs for the year ended June 30, 2023. The School Board's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the School Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the School Board and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School Board's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School Board's federal programs.

#### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School Board's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School Board's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School Board's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School Board's internal control over compliance relevant to the audit in
  order to design audit procedures that are appropriate in the circumstances and to test and report on
  internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of
  expressing an opinion on the effectiveness of the School Board's internal control over compliance.
  Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the School Board's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2023-002, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School Board's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School Board's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements. We issued our report thereon dated December 8, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Tysons Corner, Virginia January 19, 2024

Cherry Bekaert LLP



# Report of Independent Auditor on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

To the Honorable Members of the School Board of the City of Newport News, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns* (the "Specifications") issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School Board of the City of Newport News, Virginia (the "School Board"), a component unit of the City of Newport News, Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School Board's basic financial statements, and have issued our report thereon dated December 8, 2023.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School Board's financial statements are free of material misstatement, we performed tests of the School Board's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia	
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Budget and Appropriation Laws Conflicts of Interest Intergovernmental Revenues Procurement **State Agency Requirements** 

Education

The results of our tests disclosed no instances of noncompliance which are required to be reported in accordance with the Specifications.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants and the results of that testing, and not to provide an opinion on the School Board's compliance. Accordingly, this communication is not suitable for any other purpose.

Tysons Corner, Virginia January 19, 2024

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Cherry Bekaert LLP

#### Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Assistance <u>Listing</u>	Federal <u>Expenditures</u>
U. S. Department of Agriculture		
Passed Through the Commonwealth of Virginia:		
Virginia Department of Agriculture:		
School Lunch Program - Food Commodities	10.555	\$ 1,475,982
School Lunch Program - Rebates	10.555	69,428.00
Total School Lunch Program		1,545,410
Virginia Department of Education:		
School Breakfast Program (10.553/2019, 10.553/2020)	10.553	5,683,513
National School Lunch Program (10.555/2019, 10.555/2020)	10.555	12,477,649
Summer Food Service Program (10.559/2019)  Total Child Nutrition Cluster	10.559	356,592 20,063,164
Total Ciliu Nutrition Cluster		20,003,104
SNP Local EBT (10.649/2022)	10.649	5,950
Virginia Department of Health:		
Child and Adult Care Food Program (10.558/2019, 10.558/2020)	10.558	382,820
Total Child and Adult Care Food Program		382,820
Virginia Department of Defense:		
Competitive Grants: Promoting k-12 Student Achievement at Military Connected Schools		
(HE1254-18-1-0025)	12.556	469,416
ROTC	12.357	302,285
U. S. Department of Defense		
Direct Payments:		
Preventing School Violence (2020-YS-BX-0065)	16.839	99,488
U. S. Department of Treasury		
Passed Through the Commonwealth of Virginia: Virginia Department of Education:		
COVID-19 Public Health Workforce	93.354	98,549
ARPA Pandemic Bonus Payment	21.027	2,754,645
ARP State & Local Recovery	21.027	3,553,283
Total ARPA		6,307,928
U. S. Environmental Protection Agency		
Direct Payments:		
Clean School Bus Rebate Program	66.045	25,624
U. S. Department of Education		
Direct Payments:		
Impact Aid	84.041	2,047,044
Passed Through the Commonwealth of Virginia: Virginia Department of Education:		
Adult Education - Basic Grants (V002A180047, V002A190047)	84.002	849,375
Total Adult Education	01.002	849,375
Title I Part A Grants to Local Educational Agencies (S010A180046,	04.010	0.545.000
S010A190046)	84.010	9,745,000
IDEA Part B Section 611 Special Education (H027A180107)	84.027	8,170,371
IDEA Part B Section 611 - Interpreter Training (H027A170107, H027A180107)	84.027	13,552
IDEA Part B Section 611 - Flow Through Subgrant	84.027	179,096
IDEA Part B Section 619 Special Education Preschool (H173A170112, H173A180112)	84.173	232,839
Total Special Education Cluster (IDEA)		8,595,858
Vocational Education - Perkins Secondary (V048A180046, V048A190046)	84.048	626,807
Title X McKinney-Vento Homeless	84.196	22,679

Title III Part A Language Acquisition Immigrant and Youth (S365A170046, S365A180046)	84.365	205,791
Title III Part A Language Acquisition State Grant (S365A170046)	84.365	15,203
Total English Language Acquisition Grant	_	220,994

Grantor/Pass-through Grantor/Program Title	Assistance <u>Listing</u>	Federal Expenditures
STEM and Human Resources Title II Part A Improving Teacher Quality (S367A170044, S367A180044)	84.076 84.367	12,687 1,537,203
ESEA Section 1003(G) School Improvement Grants (S377A170047) School Improvement Summer Mini Southern Region Conference Total School Improvement Grants	84.377 84.377 84.377	332,832 238,421 55,712 626,965
Title IV Part A-Student Support and Academic Enrichment (S424A170048, S424A180048)	84.424	811,753
COVID 10 CARES A.4		
COVID-19 CARES Act COVID-19 Elementary and Secondary School Emergency Relief (ESSER) LEA Activities (S425D200008) COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II LEA Activities (S425D210008) GEER CARES II School Nutritional COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Cleaning Supplies	84.425D 84.425D 84.425C	188,924 15,367,790 711
(S425D200008)	84.425D	6,194
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Instructional Delivery Supports (S425D200008)  COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Special Education	84.425D	16,322
(S425D200008) COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Universal Screener	84.425D	3,093
(S425D200008)	84.425D	2,401
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Vision (S425D210008)	84.425D	4.240
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Summer Academic Academy (S425D210008)	84.425D	4,340 24,276
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II State Set-Aside - Mental Health	84.423D	24,276
(S425D210008)	84.425D	48,289
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) II Post Secondary Special Education (S425D210008)		
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) III LEA Activities (S425U210008)  American Rescue Plan (ESSER) - Unfinished Learning (S425U210008)  American Rescue Plan (ESSER) - Educator Recruitment and Retention (S425U210008)  American Rescue Plan (ESSER) - Homeless Children & Youth (S425W210004)  PRAXIS (S425U210008)	84.425D 84.425U 84.425U 84.425U 84.425W 84.425W	34,455 24,864,600 361,752 24,177 92,177 3,420
Recruitment Incertive for Public Education  Total COVID-19 State Set-Aside	84.450	92,087 41,135,010
Pass-through Payments -		
Virginia Department of Social Services  Medicaid Assistance Program	93.778	588,667
Total Expenditures		\$ 94,575,266

Note: The total for CFDA 10.555 is \$14,023,059 and for 84.027 is \$8,363,019

# THE SCHOOL BOARD OF THE CITY OF NEWPORT NEWS, VIRGINIA NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

#### Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes federal grant activity of the School Board of the City of Newport News, Virginia (the "School Board") and is presented on the modified accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Note 2—Relationship to basic financial statements

Federal expenditures are reported in the School Board's basic financial statements as follows:

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	<b>Expenditures</b>	
General Fund	\$	2,972,451
Grants Fund		71,150,881
Other Non-Major Special Revenue Funds		20,451,934
Total expenditures as shown on the Schedule of Federal Awards	\$	94,575,266

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#### Note 3—Indirect cost

The School Board did not use the 10% de minimis indirect cost rate, but rather used 3%.

#### Note 4—Sub-recipients

The School Board operates on a contractual basis with its grant partners and, therefore, does not have any sub-recipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

#### A. Summary of Auditor's Results

- 1. The type of report issued on the basic financial statements: **Unmodified opinion.**
- 2. Significant deficiencies in internal control disclosed by the audit of the financial statements: Yes.
- 3. Material weaknesses in internal control disclosed by the audit of the financial statements: No.
- 4. Noncompliance, which is material to the financial statements: No.
- 5. Significant deficiencies in internal control over major programs: Yes.
- 6. Material weaknesses in internal control over major programs: No.
- 7. The type of report issued on compliance for major programs: **Unmodified opinion.**
- 8. Any audit findings which are required to be reported under the Uniform Guidance: Yes
- 9. The programs tested as major programs were:

#### **Assistance Listing**

84.425, 84.425 (C), 84.425(D), 84.425(U), 84.425(W)

84.027, 84.173 21.027

#### Name of Federal Program or Cluster

COVID-19 Elementary and Secondary School Emergency Relief Fund Special Education Cluster (IDEA) Coronavirus State and Local Fiscal Recovery Funds

- 10. Dollar threshold used to distinguish between type A and type B programs: \$2,837,258.
- 11. Auditee qualified as a low-risk auditee under Section 530 of Uniform Guidance: Yes.

### B. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

#### Finding 2023-001: Significant Deficiency – Accuracy of Account Balances

**Criteria:** In order to prepare financial statements in accordance with accounting principles generally accepted in the Unites States of America ("U.S. GAAP"), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the School Board for the fiscal year just ended.

Condition: During our testing of various account balances, we noted the following:

- Grant Fund expenditures and related Grant Fund revenues and accounts receivables of approximately \$503,000, related to the fiscal year were not properly accrued.
- The School Board incorrectly netted approximately \$757,000 of Nonmajor Governmental Funds' intergovernmental revenues against the expenditures.

**Cause:** Due to the lack of management oversight, internal controls were not operating effectively to ensure proper recording of the transactions for financial reporting purposes in the proper fiscal period.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2023

**Effect:** Although the amounts identified above are not material to the governmental activities or the funds as a whole, the absence of managerial oversight in account record management exposes the School Board to potential errors, misstatements, or fraud due to insufficient checks and balances, thereby compromising the integrity of financial reporting.

**Recommendation:** We recommend the internal controls for reviewing various account balances to supporting documents at year-end be strengthened to ensure revenues, accounts receivable, liabilities, and expenditures are properly recorded in the financial statements in the correct time period in accordance with U.S. GAAP.

**Views of Responsible Officials:** The School Board agrees with the finding and is implementing procedures to correct this finding, which is further discussed in the attached corrective action plan.

#### C. Findings and Questioned Costs Relating to Federal Awards

### <u>2023-002: Significant Deficiency – Activities Allowed or Unallowed and Allowable Costs and Cost Principles</u>

**Program:** Special Education Cluster (IDEA) (ALN 84.027 and 84.173) – United States Department of Education – Virginia Department of Education; Federal Award Year 2023

**Criteria:** Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subtitle A, Chapter II, Part 200, Subpart E – Cost Principles Subsection 200.430 – Compensation – Personal Services subsection (i) – *Standards for Documentation of Personnel Expenses* Subsection (1) states:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);
- (iv) Encompass federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (see paragraph (h)(1)(ii) above for treatment of incidental work for IHEs); and
- (vi) Reserved
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two (2) or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."

**Condition:** Of the sixty (60) employees selected for testing, two (2) employees did not have time and effort verification forms on file. Consequently, there was no documentation to support that the employee met the allowable costs compliance requirement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

YEAR ENDED JUNE 30, 2023

**Cause:** School employees and administrators did not adhere to time and effort verification policies and procedures.

**Effect:** Noncompliance may result in action by the grantor.

**Questioned Costs:** \$63,468 known questioned costs from a sample of personnel costs of \$2,364,249 and a population approximating \$8,100,000. Our testing of non-personnel costs approximating \$173,000 from a population approximating \$501,000 noted no internal control or compliance findings.

**Recommendation:** The School Board should maintain time and effort verification forms for personal expenses paid using federal grants.

Views of Responsible Officials and Planned Corrective Action: The School Board agrees with the finding and is implementing procedures to correct this finding, which is further discussed in the attached corrective action plan.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants

None reported.

E. Status of Prior Year Findings

None reported.



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#### **Business Office**

12465 Warwick Boulevard, Newport News, VA 23606-3041 - phone: 757-591-4511 - fax: 757-595-2461

#### **Management Corrective Action Plan**

#### Finding 2023-001: Significant Deficiency – Accuracy of Account Balances

**Criteria:** In order to prepare financial statements in accordance with accounting principles generally accepted in the Unites States of America ("GAAP"), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the School Board for the fiscal year just ended.

Condition: During our testing of various account balances, we noted the following:

- Grant Fund expenditures and related Grant Fund revenues and accounts receivables of approximately \$503,000, related to the fiscal year were not properly accrued.
- The School Board incorrectly netted approximately \$757,000 of Nonmajor Governmental Funds' intergovernmental revenues against the expenditures.

**Cause:** Due to the lack of management oversight, internal controls were not operating effectively to ensure proper recording of the transactions for financial reporting purposes in the proper fiscal period.

**Effect:** Although the amounts identified above are not material to the governmental activities or the funds as a whole, the absence of managerial oversight in account record management exposes the School Board to potential errors, misstatements, or fraud due to insufficient checks and balances, thereby compromising the integrity of financial reporting.

#### Corrective Action:

In order to more fully ensure the most accurate and timely recognition of all expenditures and revenues in the proper fiscal year, additional Internal control reviews will be added to the current processes as follows.

- 1. An additional approver review will be added to the Accounts Payable workflow process for all invoices over \$50,000.
- 2. During the year-end accrual period, all invoices will be subjected to a final search of unrecorded payables.
- 3. All outstanding grant receivables will be reviewed on a monthly basis to ensure timely and accurate adjustments.
- 4. Staff will ensure that the timely submission of grant reimbursements is prioritized.
- 5. Beginning in January 2024, Intergovernmental revenues will be confirmed with City Finance on a quarterly basis in order to ensure proper classification of all funding.

Contact: Scarlett Minto, Chief Financial Officer

Expected Completion Date: December 2023- All corrective actions have

been implemented.

If you have any questions, please contact Scarlett Minto at 757-591-4642 or by email at Scarlett.Minto@nn.k12.va.us.



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#### **Business Office**

12465 Warwick Boulevard, Newport News, VA 23606-3041 - phone: 757-591-4511 - fax: 757-595-2461

#### **Management Corrective Action Plan**

#### <u>2023-002: Significant Deficiency – Activities Allowed or Unallowed and Allowable Costs and Cost</u> Principles

**Program:** Special Education Cluster (IDEA) (ALN 84.027 and 84.173) – United States Department of Education – Virginia Department of Education; Federal Award Year 2023

**Criteria:** Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subtitle A, Chapter II, Part 200, Subpart E – Cost Principles subsection 200.430 – Compensation – Personal Services subsection (i) – *Standards for Documentation of Personnel Expenses* subsection (1) states:

"Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities; this per the IHE's definition of IBS);
- (iv) Encompass federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and
- (vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two (2) or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity."

**Condition:** Of the sixty (60) employees selected for testing, two (2) employees did not have time and effort verification forms on file. Consequently, there was no documentation to support that the employee met the allowable costs compliance requirement.

**Cause:** School employees and administrators did not adhere to time and effort verification policies and procedures.

**Effect:** Noncompliance may result in action by the grantor.

#### **Corrective Action:**

In order to more fully ensure program costs are allowable, additional Internal control reviews will be added to the current processes as follows.

- 1) All employees paid from sponsored funds are required to report their effort monthly.
- The employee, or responsible individual will report percent effort using suitable means of verification.
- 3) Supervisors are responsible for certification of time and effort for personnel associated with their sponsored programs.
- 4) If the Supervisor is the employee completing the effort report, the Executive director must certify the percent effort level.
- 5) If the Executive Director is the employee completing the effort report, an Officer of The Program's School board must certify the percent effort report.

Contact: Scarlett Minto, Chief Financial Officer

Expected Completion Date: January 2024- All corrective actions have been

implemented.

If you have any questions, please contact Scarlett Minto at 757-591-4642 or by email at Scarlett.Minto@nn.k12.va.us.

For a copy of the
Annual Comprehensive Financial Report, visit

www.nnschools.org/budget/documents/ACFR.pdf

or scan this QR code with your smart device.

